

NEWS SUMMARY

**GENERAL**  
**EEC pressure to boycott Olympics**  
The European Parliament yesterday stepped up pressure on EEC Governments to endorse a boycott of the Moscow Olympic Games in protest over the Soviet invasion of Afghanistan.  
Although some Governments are far from enthusiastic about recommending a boycott, it is recognised that if the U.S. does not take part then Western Europe will need to show solidarity. Page 2

**Tito in coma**  
Yugoslav's President Tito has drifted into a coma and officials said there was virtually no hope that he would survive.

**Hostage hopes**  
Iran's President Bani-Sadr met Ayatollah Khomeini last night and plans an early meeting with students occupying the U.S. embassy in Tehran. Page 2

**PM surrounded**  
Police linked arms to stop Mrs. Thatcher getting swarmed over as thousands of people, mostly well-wishers but some demonstrators, almost engulfed her on a walk-about in Salisbury, Wiltshire. Page 3

**Heart man well**  
Britain's youngest heart transplant patient, 25-year-old Evan Macpherson, a labourer from Inverness, is recovering at Cambridge's Papworth Hospital.

**Communist ban**  
Benigno Zaccagnini, outgoing secretary of Italy's Christian Democratic Party, last night ruled out any move to open the doors of the Government to the Communist Party. Page 2

**Rhodesian call-up**  
Thousands of white Rhodesian civilians reported for military duty as police hunted those responsible for a wave of bomb attacks in Salisbury. Page 2

**Bishop to Vatican**  
The Pope appointed Scottish Franciscan priest Father Agnelus Andrew, a BBC broadcaster on Catholic affairs, as Bishop to the Vatican Pontifical Commission for Social Communication.

**Indian eclipse**  
Millions of Indians are awaiting a total eclipse of the sun today. Seismologists said there is no evidence to support warnings by scientists that a disastrous earthquake will follow the eclipse.

**Shah's legal bid**  
The Shah of Iran started legal proceedings in London to remove a legal bar preventing the sale of his stud and stables in Surrey. The Iranian Horse Society says its funds were used to buy it.

**Botham 6 for 58**  
Ian Botham took 6-58 and wicket-keeper Bob Taylor held seven catches as England dismissed India for 242 in the Jubilee Test in Bombay. England had reached 3-0 in reply by the close.

**Unhappy hooker**  
A Japanese angler who hooked a gold bar then gave it to the Government to stop people pestering him for money saw it auctioned for £320,000 (£139,737).

**Briefly...**  
One prisoner was killed and several injured when jailers fired on rioters at a Lucknow, India, prison.  
The fourth dead whale in a week was washed ashore on the South Coast.

Retail prices up again and inflation heads for 20%

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

The annual rate of retail price inflation jumped sharply last month, and now appears to be heading for a peak of at least 20 per cent by the early summer.

This follows a marked deterioration in the inflation outlook in the last two or three months, both in the UK and abroad (especially the U.S.), after the recent further large increases in oil and other commodity prices.

Department of Employment figures published yesterday show that the retail prices index rose by 2.5 per cent to 245.3 (January 1974=100) in the month to mid-January. This principally reflected the rise in the mortgage rate, increases in food prices and several public sector charges.

The rise took the 12-month rate of increase up to 18.4 per cent. This is the highest rate since April 1976, and compares with 17.2 per cent in December and 9.3 per cent a year ago. The UK's inflation rate remains well above the international average.

Moreover, there are big price rises in the pipeline over the next few months, notably a further large increase in public sector charges, higher local authority rent and rates in April and whatever price changes result from the March 26 Budget.

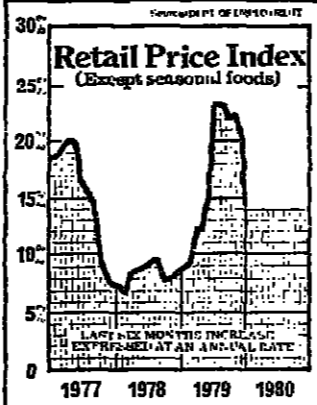
The rises are likely to be sufficient to push the 12-month rate up to 20 per cent by April or May. But the rate could drop in July as the big price rises resulting from last June's Budget disappear from the comparison.

The view of most analysts is that there should not be a runaway acceleration of the 1974-75 kind, because of the monetary squeeze, the rise in sterling and the recession. But the underlying rate of increase may show little improvement in view of the high level of pay settlements and the continuing rise in oil prices.

Consequently, the 12-month rate is expected by many economists to be between 15 and 17 per cent at the end of this year. A slightly favourable view of the underlying trend is presented by the index for all items except seasonal foods over the last six months. This now excludes the big rise in the index last July after the Budget, and, expressed at annual rate, it stood at 14.5 per cent last month.

There is little comfort for the Government either in its special tax and price index which is intended to adjust the retail price index for the impact of direct tax cuts. The new index rose by 16.1 per cent to 123.2 (January 1978=100) in the year to January, compared with 14.9 per cent previously. This shows the rise in gross pay needed by the average tax-payer.

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Cyclical indicators Page 4



Fed raises discount rate to record 13%

BY STEWART FLEMING IN NEW YORK

THE U.S. Federal Reserve Board raised its discount rate from 12 per cent to a record 13 per cent yesterday amid fears within the Carter Administration that inflation could be accelerating to a 17 per cent annual rate.

The Fed move came within an hour of a Labour Department announcement that the Wholesale Price Index jumped by 1.6 per cent in January, the biggest monthly increase in five years and the equivalent of a 19.2 per cent annual growth rate.

In the wake of the Labour Department announcement, some Administration economists warned that when January's Consumer Price Index (CPI) is announced next Thursday it could indicate an annual rate of increase of about 17 per cent. There are fears that unless house prices fall this rate of consumer price inflation could continue for months.

Last year the CPI rose by 13 per cent. The Carter Administration predicts a rise of around 10.4 per cent this year. Behind the forecasts of an acceleration are the rising price of oil and sharp increases in housing mortgage rates. These are heavily weighted in the CPI.

If inflation does accelerate to this extent it will pose a serious political problem for President Jimmy Carter. He has steadfastly opposed mandatory wage and price controls while Senator Edward Kennedy, his main rival for the Democratic Party nomination, has espoused them. The President's Republican challengers could also be expected to use the inflation rate to attack the Administration.

It will probably not be enough for the Administration to argue that the CPI exaggerates the underlying rate of inflation because of the over-weighting of housing. Also, the Central Bank's move and higher interest rates expose to the President attacks that his policies are causing a deeper recession and rising unemployment.

The change in the discount rate and the sharp rise in the Wholesale Price Index sent a shiver through Wall Street. The Dow Jones industrial average slumped by 10 points in the first 10 minutes and by almost 13 points at 1.30.

On the bond markets, which have suffered their sharpest declines in modern U.S. financial history this year, bond prices slumped again. For the first time the U.S. Treasury's new 30-year bond, issued last week, recorded a yield of over 12 per cent as the price slumped two points to 97.

Money and commodity markets also reacted sharply to the Fed move. Within hours of the announcement one major commercial bank, Wells Fargo, California, announced an increase in its prime rate to 15 1/2 per cent from 15 1/4 per cent.

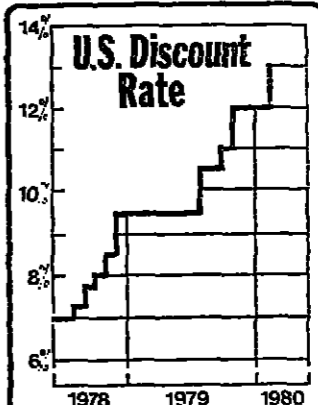
As they watched the reaction in the money markets, where short-term interest rates rose by as much as 60 basis points (there are 100 basis points in a percentage point), analysts predicted that the prime rate increase would probably spread through the banking industry.

In announcing the rise in the discount rate the Fed said that it "has been concerned that recent economic developments, including the large increase in the price of imported oil, are adding to inflationary pressures and may lead to further destabilising pricing decisions. These developments underscore the need to take such measures as may be required to maintain firm control over the growth of money and credit."

In recent weeks the markets have been registering growing anxiety about the ability of the Federal Reserve's monetary policy to combat inflation. In part this has been because of evidence that the economy is still performing more strongly than expected.

There was further evidence of this yesterday in the announcement from the Fed that industrial production in January rose by 0.3 per cent after increases of 0.1 per cent in December and a decline of 1.0 per cent in November.

Fed sounds the alarm;  
Wall Street, Page 5



Soviet oil policy 'hit by errors'

BY DAVID SATTER IN MOSCOW

SERIOUS errors in Soviet oil production practices and petroleum policy may lead to a decline in output within a few years, according to a leading Russian energy expert.

Dr. Alexander Krylov, an oil specialist at the Academy of Sciences, warned that the Soviet Union—the world's biggest oil producer—is running the risk of allowing "serious errors which will need much time and great expense of resources and labour to correct."

Dr. Krylov's conclusions, which have been described by Western diplomats in Moscow as a "severe critique" of Soviet oil production practices, were published in *Ekho*, the magazine of the Academy of Sciences' Siberian branch.

The conclusions echo—for the first time—the U.S. Central Intelligence Agency's estimates that the Soviet Union will become a net importer of oil by the 1980s. Russia now exports 3.1m barrels of oil a day.

They come at a time when Soviet officials, who have dismissed the CIA estimates, are placing greater stress on the need to use imported technology in oil extraction, and the political crisis over the Soviet invasion of Afghanistan has put the availability of this technology in doubt.

Dr. Krylov argued that recent increases in production had been achieved by drilling a larger number of holes into the same oilfield and pumping water into the field to sustain the rapidly depleting flow of oil. This cut the life of each borehole.

He said that the wastefulness of this policy could lead to the unavailability and premature depletion of the efficiency of oil output, as wells yielded less than their full capacity.

Soviet oil production last year reached 589m tonnes, 7m tonnes short of its target. Oil production this year is targeted to reach only 606m tonnes, far short of the goal of 620m to 640m tonnes set four years ago.

Mr. Vladimir I. Dolgikh, the Central Committee secretary in charge of heavy industry, wrote in a recent issue of the journal *Partizansky Zhizn* that increased Soviet oil production in the 1980s would require hundreds of thousands more drillers at a time when the Soviet labour force was shrinking.

BNOC price rises, Page 3

UK set for big trade deficit as demand lags

BY DAVID MARSH

BRITAIN'S DEFICIT on the current account of its balance of payments increased last month, mainly as a result of increased year imports during the New Year price surge on bullion markets. The underlying picture for the current account continues to show Britain heading for another large deficit this year—in spite of near balance in its oil trade—with exports generally depressed by the strong pound and the growing world recession.

One of the few bright spots for the UK trade balance came in yesterday's Department of Trade statistics when an underlying fall in imports of manufactured goods last month compared with the high level in the final 1979 quarter. But this is partly due to the economic downturn at home, which is already reducing demand for both domestic and foreign made goods.

The steel strike is thought to have had little impact on the January trade figures.

The current account deficit in January is estimated at £286m, on a seasonally adjusted basis, well above the shortfall of £202m in December, which was substantially revised from the figure issued last month of only £22m.

The revision of the December deficit was caused by additional imports of North Sea oil equipment as well as a change in the Department's seasonal adjustment method.

The current account deficit for the whole of last year is now put at £2.5bn, £80m more than estimated last month.

The Treasury's official estimate for the deficit for the whole of this year is £2bn—although this may be revised as a result of forecasting work going on as part of the Budget preparations.

The gloomy current account figures helped depress the pound against a generally buoyant dollar on foreign exchange markets yesterday. Sterling closed at \$2.2955, down almost 2 cents from overnight \$2.3130, with its trade-weighted index falling to 73.0 from 73.3.

Exports rose 2.8 per cent last month compared with December to £3.88bn, with much of the increase accounted for by precious stones. Imports were up 5 per cent to £4.22bn, leaving a visible trade deficit of £346m, offset by an estimated surplus of £50m on invisibles.

About three-quarters of the £200m increase in imports was due to silver bullion. The UK had a deficit in oil trade of £71m, down slightly from December.

Export volume, excluding the more erratic items—ships, North Sea installations, aircraft and precious stones—was below the level of recent months, with particular weakness in chemicals.

Import volume, excluding erratic items, fell back to the levels of previous months, partly as a result of the sluggish domestic economy.

Table Page 4

Strike threat by Welsh miners

BY ROBIN REEVES, WELSH CORRESPONDENT

South Wales miners now seem virtually certain to join steelworkers in an all-out strike a week on Monday aimed at preventing the threatened rapid rundown of the Welsh steel and coal industries.

The confrontation threat emerged from joint meetings in Pontypridd yesterday between Welsh miners' leaders and the strike committees from the Port Talbot and Llanwern steelworks, where the British Steel Corporation plans to halve production to 2.7m tonnes with 11,500 redundancies. This cut-back, together with BSC's increased imports of coking coal, also threatens pit closures and major job losses in the Welsh coal fields.

The Port Talbot committee, representing 15 unions at the plant, told the miners' representatives that, even if the pay issue was settled, they would remain on strike until they established job security.

The delegates from Llanwern will meet tomorrow to decide whether to adopt the same course of action. Mr. Emyr Williams, the Welsh miners' president, and other members of his executive are being invited to Llanwern to attend the discussions.

The final go-ahead for an all-out miners' strike on the closures issue will be given by a conference of delegates representing South Wales's 30,000 miners in Porthcawl next Wednesday.

The following Monday, February 25, is being canvassed as the probable date for the start of action.

Mr. Williams has already said that once the strike starts the miners will seek to spread it to other parts of the UK. This would be in line with the NUM's official policy of resisting all pit closures, except where coal reserves are exhausted.

Even so, the miners' move represents a breaking of the ranks agreed within the Wales TUC which has been urging restraint to allow TUC leaders nationally to press for a

Continued Back Page  
Other steel news, Page 4

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES	
Foster Bros.	100 + 10
Polly Peck	16 + 3
Samathan	163 + 11
Vogels	140 + 15
FALLS	
Esched, 14pc 1984-1985	- 1
Treas. 12pc 2003-05	- 1
A (70 p.d.)	- 11
Alcan Aluminium	100 - 7
BAT Inds.	35 - 11
BTR	172 - 6
Bell (A)	30 - 5
Blackwood Morton	30 - 5
Blue Circle	305 - 14
British Home Stores	272 - 14
Common Bros.	285 - 7
Ferranti	500 - 17
Fisons	239 - 13
Freemans (London)	123 - 10
GEC	
Glaxo	243 - 8
GUS A	384 - 14
Land Secs.	280 - 14
Law Land	67 - 5
Plessey	136 - 6
Rank Org.	217 - 9
Samuel Prop.	113 - 5
Status Discount	60 - 8
Transford Carpets	20 - 3
United Scientific	302 - 10
Tubif Inv.	470 - 13
United Petro.	272 - 20
Shell Transport	368 - 10
Gulfrite	810 - 28
Lundholm Sumatra	423 - 17
Conzinc Riotinto	335 - 21
EZ Inds.	380 - 30
Mount Kelly	144 - 11
North Kalgarli	65 - 7
RUT	450 - 8
Rustenburg	278 - 14

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The principal units and the income from them may go down as well as up.  
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Address (Print address)  
Occupation (Print occupation)  
Name and Address of Local M&G AGENT (if any) (Print name and address)  
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**THE M&G GROUP**

## OVERSEAS NEWS

## European Parliament in tough line on Olympics

BY JOHN WYLES IN BRUSSELS

PRESSURES on EEC Governments to endorse a boycott of the Moscow Olympic Games were stepped up yesterday when MEPs in the European Parliament in Strasbourg produced substantial majorities for two toughly-worded resolutions relating to the Afghanistan question.

Apart from the calling for a boycott of the Olympics, the Parliament urged a ban on EEC sales of surplus agricultural produce to Russia and condemned the Soviet authorities' treatment of Andrei Sakharov, the dissident Soviet physicist. The resolutions point to a growing hawkishness among the Centre-Right majority in the assembly. This seems bound to be noted by EEC Foreign Ministers at their political co-operation meeting in Rome next Tuesday, when the Community is expected to issue its first carefully-considered response to Soviet actions.

The meeting may bring agreement among member states that the Soviet intervention in Afghanistan is a severe blow to détente and means some revision in the principles upon which Western Europe's relations with the Soviet Union are based.

Although some governments are far from enthusiastic about recommending an Olympic boycott, it is now generally recognised that, if the U.S. does not participate, Western Europe will need to show solidarity.

However, this does not mean that other EEC governments will be ready on Tuesday to follow Britain and Holland in urging their athletes not to go to Moscow. Most are waiting for

evidence of public support for the boycott.

Giles Merritt adds: In Brussels yesterday Chancellor Helmut Schmidt of West Germany warned the Soviet Union that any attempt to drive a wedge between EEC governments and the U.S. over their responses to its intervention in Afghanistan would be "vain and counter-productive."

Herr Schmidt, in the Belgian capital for talks with M. Wilfried Martens, the Prime Minister, underlined the need for the Nine to maintain solidarity with the U.S. and cautioned the Soviet Union against using "threats or enticements" to divide EEC governments from the U.S. On the question of a boycott of the Olympic Games, however, he made it plain that the EEC was under no pressure to reach a rapid decision.

David Buchan reports from Washington: An international under-cover operation has been set up to snare traders who might try to sell American grain to the Soviet Union in contravention of President Carter's recent embargo, according to Mr. Bob Bergland, the U.S. Agriculture Secretary.

Mr. Bergland revealed this week that the Administration had a "sting operation going" and that it was an international effort. But he could not say more because it was "really super-high, secret stuff."

"Sting" operations, in which police pose as corruptors or receivers of stolen goods or middlemen in illegal actions, are much in vogue in the U.S. at the moment. The FBI this

week announced the end of a successful under-cover operation probing into illegal pornography rackets, in addition to its recent political corruption probe that has allegedly involved eight Congressmen.

Mr. Bergland did not say where exactly the grain "sting" operation was targeted, but noted the simplest diversion of U.S. grain to the Soviet Union was through Western Europe.

Mr. Carter last month banned the sale of some 17m tons of U.S. grain to the Soviet Union in the current year in retaliation for the intervention in Afghanistan.

Agencies add: The CIA is reported to have opened a secret supply line to funnel small arms and anti-tank weapons across the Pakistani border to Moslem rebels fighting inside Afghanistan.

The Washington Post yesterday quoted unidentified sources as saying the U.S. started supplying weapons to the anti-Communist rebels after the Soviet Union began pouring an estimated 90,000 troops into Afghanistan before Christmas.

Prior to the Soviet military intervention, the U.S. secretly supplied the rebels with small amounts of medicine and communications equipment, the newspaper said.

Mr. Babrak Karmal, the Afghan President, is believed to be busy reconciling differences within his Cabinet, according to diplomats in Kabul. The Cabinet contains three major factions: the Khalq (People's) party, Mr. Karmal's own Parcham group and the Army.

## Bargaining continues over Iran hostages

By Our Foreign Staff

BARGAINING continued yesterday between the United States and Iran over terms for the release of the 50 American hostages held in the U.S. embassy in Tehran. Despite signs of progress, there were conflicting accounts of the conditions which Iran would accept.

In Rome Mr. Sadeq Oltabadeh, Iran's Foreign Minister, said the UN-sponsored international commission to investigate charges against the deposed Shah might be formed "within a few hours" but the American hostages in Tehran would not be released until the panel had finished its work, according to an Italian news agency.

But Mr. Sean MacBride, a former Irish Foreign Minister and possible member of the commission, said: "The commission could hardly begin its work until the hostages have been released."

Transfer of the hostages to a third party, perhaps a neutral country, has been mentioned as a possible step.

"Now one is waiting only for their (U.S.) acceptance. For us, the names aren't important. What is important is that the commission is formed," Mr. Oltabadeh was quoted as saying.

He added: "The hostages will not be freed until the commission makes public its results."

In Paris, Mr. Oltabadeh told reporters that both Ayatollah Khomeini and the Revolutionary Council had approved the formation of the commission.

In Tehran, Mr. Ali Reza Nohari, the Governor of Bank Markazi (the Central Bank), said Iran was demanding that the U.S. release \$5bn of Iranian assets frozen in American banks last November. But he added, the demand was not related to the release of the American hostages.

Simon Henderson adds from Tehran: There is no indication in Iran of any release of the U.S. hostages in the next day or so.

A political gathering addressed by President Abol Hassan Bani-Sadr in Tehran yesterday was dominated by purely domestic issues. The gathering—the Congress of the Islamic Revolution—is the non-party basis for Bani-Sadr's hopes for support in elections for a General Assembly planned for March 14. In a two-and-a-half hour speech he did not mention the hostages once.

In his speech he hit out at the Kurds in the west of Iran who have been fighting for regional autonomy, and condemned them for instilling separatist feelings. He also referred to the need to reduce government bureaucracy to Islamicise social, economic and cultural institutions and encourage a movement of labour from the cities to the countryside.

Iran also edged a strong protest with the United Nations yesterday over Canada's action in smuggling six U.S. embassy employees out of Tehran last month.

## Turkish army seeks wider powers

BY DAVID TONGE

THE Turkish armed forces yesterday moved a step nearer the political stage when they asked for increased powers to combat political violence.

"We want our authority increased and punishments increased in order to overcome anarchy," said General Kenan Evren, the Turkish Chief of General Staff.

His remarks came as police commanders carried out a shack-to-shack search in the poorer quarters of Izmir where hundreds of workers were being held prisoner in a sports stadium. The workers had occupied a factory in protest at the dismissal of 700 of their colleagues for supporting a left-wing union confederation.

The Turkish armed forces carried out a coup in 1980 and in 1971 issued an ultimatum which forced Mr. Süley-

man Demirel, then, as now, Prime Minister, out of office. Both interventions came after economic crises, and today a grave economic situation is coupled with worsening political violence.

Mr. Demirel has called for stern measures to deal with state workers who break the law, saying "the state cannot feed its own worst enemies."

In a circular to all state agencies the Premier has said that any government employee collaborating with terrorists would be dismissed. Seven weeks ago the armed forces issued a stiff warning to the country's politicians to come to grips with "fascism, anarchy, destruction and (a reference to the Kurds) secessionism."

The death toll in political violence has long been mounting and is now around 200 people each month. There

have been clashes between the two main Islamic sects and concern is growing about pressures from the Kurds who make up around one-sixth of the country's 45m people. But an ominous development is the growing confrontation between the authorities and supporters of the radical trades union confederation.

"Who has come to a head at Izmir where violence erupted at the large state-run agricultural co-operative, Tarsis. As part of its policy of appointing its own supporters to all senior posts in the state machinery, the government had changed the management of Tarsis. The new management tried to obtain recognition for a small militant right-wing trades union movement, threatening 11,000 workers with dismissal."

When the management refused to allow 750 left-wing

militants to continue working, the workers seized the factory.

There have been several successes in arresting members of left-wing groupings responsible for part of the violence. But while these are justly persecuted, the authorities have been showing a less even approach to the right-wing militants generally suspected of killing several judges, professors, newspaper editors and leftists. One of the "death lists" found at the turn of the year was in the youth organisation supporting Mr. Alparslan Türkeş, the Nationalist Action Party.

Mr. Demirel has twice made Mr. Türkeş his Deputy Prime Minister and now relies on his parliamentary support. He has also appointed a number of followers of Mr. Türkeş to senior positions in the state machinery.

## Record Danish discount rate

BY HILARY BARNES IN COPENHAGEN

THE DANISH Central Bank yesterday announced an increase in the discount rate from 11 per cent to a record 13 per cent from Monday. It will push typical commercial bank lending rates to over 17 per cent.

The bank said that a narrowing of the difference between Danish and foreign interest rates had caused some unwinding of business foreign debt and the increase in the discount rate was to encourage a renewed currency inflow.

The rate was last changed on September 17 when it was raised from 9 per cent to 11 per cent.

An increase in the discount rate has been expected for several weeks. The increase has been under pressure within the European Monetary System.

In January there was a

foreign exchange outflow of Dkr 2.8bn (€225m) one of the largest monthly outflows recorded, although in the official foreign exchange reserve figures the outflow was counterbalanced by a revaluation of gold and foreign currency holdings.

Official reserves at the end of January actually increased from Dkr 16.3bn at the end of December to Dkr 17.5bn.

Commercial bank officials interpreted the two point discount rate increase as a signal to the Government to take action soon to prevent a further increase in the balance of payments deficit.

The deficit for 1979 is estimated at about Dkr 15bn compared with Dkr 8bn in 1978.

bringing Denmark's net foreign debt to about Dkr 80bn.

The Government introduced incomes policy measures in December, which it said would reduce the 1980 external deficit to Dkr 11.12bn, assuming that the average increase in oil prices this year would be about 10 per cent.

As the increase is now expected to be 35-40 per cent, commercial banks here predict a current deficit this year of Dkr 16-18bn, or about 4.5 per cent of the Gross Domestic Product.

Prime Minister Anker Jørgensen is planning a package of fiscal measures to be introduced in April. It is likely to include severe cuts on public spending and increases in indirect taxes.

## Carrington seeks action over lamb

THE BRITISH Government yesterday stepped up pressure on the EEC Commission with a letter from Lord Carrington, the Foreign Secretary, demanding urgent action against illegal French curbs on British lamb imports, writes Margaret van Hartem in Brussels.

In his letter to Mr. Roy Jenkins, the Commission president, Lord Carrington is believed to have stressed British concern about the issue, and asked that the Commission seek an interim injunction from the European Court of Justice to stop the curbs, pending a second and possibly a third court case on the dispute. Britain claims the French action is costing the UK around £10m a year. The Commissioners are scheduled to decide whether to seek an injunction at their weekly meeting next Wednesday.

## EEC sugar levy

EEC sugar exporters will be charged a levy of 6.05 ECU/100kg from next Monday, writes our Brussels staff. This follows sharp rises in world sugar prices to levels above the Community "threshold" price.

## Norway oil tax

Oil companies operating on Norway's continental shelf have been invited to comment on tax proposals that would raise the state "take" from offshore oil and gas production to an average of 50 to 65 per cent, from about 70 per cent at present, writes Fay Gjerster in Oslo.

The proposals, an attempt to mop up some of the profit windfall to companies due to oil price rises will go to the Storting (Parliament) by the end of March, and apply to company earnings from January 1.

## Egypt-Israel air link

Israel's national airline El Al will begin twice-weekly flights to Cairo on March 3 for a round-trip fare of £73.50, AP reports from Tel Aviv. This follows Thursday's signing in Cairo of an air transport agreement between Israel and Egypt under the terms of their peace treaty.

## U.S. seeks sites for rival Games

BY DAVID BUCHAN IN WASHINGTON

A RIVAL international games this summer with events held in a number of countries is the alternative to the Moscow Olympic Games which the U.S. is now most actively exploring.

State Department officials said yesterday Britain was one of the countries the U.S. is sounding out. Mrs. Margaret Thatcher, the British Prime Minister, has supported President Carter's call for a boycott of the Games. The officials stressed though, that it was for

sports federations, not governments, to decide which countries might host which events of a rival "Olympics."

Another U.S. option—to speed up building of the 1984 Los Angeles Olympic site to hold some games there next year—has receded, because governments taking the same line as the U.S. towards the Moscow Games want some sort of games to take place this year, and would also like the political kudos

Earlier this week, the International Olympic Committee rebuffed President Carter's request for the summer games to be moved away from Moscow, and said they should go on as planned. The U.S. Olympic Committee has said since it will go along with President Carter's wishes but will not make a formal decision for two months.

Under Olympic rules participants have to be entered by their national Olympic committee. Mr. Edward Babitch, who is Mr. Gierke's closest political associate, is expected to fill the vacant top Government post.

However, the demotion from the Politburo yesterday of Mr. Stefan Olszowski, who has been in charge of the economy on the party side, and who is thought to have been critical of the way the economic situation was being handled by the Government, suggests that the leadership is interested more in consolidation than in radical change.

## Poland's premier to get hearing

BY CHRISTOPHER BOBINSKI IN WARSAW

MR. PIOTR JAROSZEWICZ, who resigned as Poland's Prime Minister this week, will make an appearance at a special meeting of the Polish Parliament next week to defend his record.

His appearance in Parliament, when a successor will be chosen, will be almost unprecedented in eastern Europe, where politicians who have left office are rarely heard from again.

Mr. Jaroszewicz resigned his top Government post and his party duties and decided to retire after speeches criticising the way the Government had

been handling the economy were delivered at the eighth Communist Party congress, which ended here yesterday.

The resignation was handled tactfully by Mr. Gierke, the Polish leader, in his closing speech at the congress. He underlined that both he and the former Prime Minister had struggled to solve Poland's serious economic problems, deflecting some of the harsh criticism.

Mr. Gierke's comments, and the fact that the former Prime Minister will speak next week, may be the result of a com-

promise which persuaded Mr. Jaroszewicz to step down.

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David Lascelles in New York reports on a purge in a gambling paradise

## The chips are down for Atlantic City

A CLOUD of suspicion has settled over Atlantic City, New Jersey, the faded East Coast resort that was reborn two years ago as the only place outside the state of Nevada where Americans could enjoy a spot of casino gambling.

Amid highly-publicised allegations of crime and corruption, Governor Brendan Byrne has stepped into the breach with sweeping proposals to purge the casino control authorities and make it much harder for casinos to open their doors.

He will have to get these proposals approved by the state legislature. But these worthy folk are, by all accounts, so shocked by what has happened that they will say "Aye" as quick as a croupier scoops up his chips.

In the short term Mr. Byrne's tough proposals could deal a serious blow to the fledgling casino industry by reviving the vigorous anti-gambling lobby which has bitterly opposed the casinos from the start. It could also hinder moves to allow gambling in neighbouring New York state, where casinos are among the proposals to revive the fortunes of ailing New York City.

In the end, the new regime is bound to make life tougher for gambling companies which have been piling into Atlantic City for a share of what must be one of the most lucrative legitimate businesses on the East Coast.

Mr. Tony Hoffman, a Wall Street analyst with Bache who follows gambling stocks, estimates that business there is already worth over \$600m a year, with plenty of demand still unsatisfied.

By no means all this money,

though, changes hands in the smoke-laden atmosphere of the gaming tables. Resorts International, the first casino to open in Atlantic City, gets most of its money from slot machines which take a maximum \$1 at a time.

Not that New Jersey rushed into casino gambling. The idea was kicked around for many years before the State Legislature decided to give it the go-ahead in 1977, mainly on the grounds that it would bring prosperity back to Atlantic City, whose days of glory (enriched for ever in the American version of Monopoly) were long past. It was also argued that gambling would provide employment and yield large tax revenues which could be put to good use.

But to cope with the crime and corruption that was bound to go with it, the State also set up a policing system which was intended to be considerably more rigorous than in Nevada.

A Casino Control Commission, consisting of a full-time chairman and four part-time commissioners, was established to investigate all licence applications and probe the background of all casino executives and employees. To ensure that no outside pressure was put on the business, the Commission scrutinised the casinos' suppliers as well.

Furthermore, to keep out the fly-by-nights, licences were only to be granted to casinos attached to an hotel with 500 first class bedrooms, which basically meant that operators would have to invest well over \$100m just for starters.

But all these precautions have apparently failed to keep corruption at bay, though ironically it is the regulators and not the casino operators who are alleged to have erred.

The crisis was triggered by a long-standing FBI investigation

of influence peddling at the State and Federal level. Posing as businessmen or wealthy Arabs, FBI agents claim to have implicated a number of senior New Jersey politicians in casino licensing deals. So far these are only allegations, and no charges have been filed.

But there has already been one notable casualty in the shape of the vice-chairman of the Casino Control Commission, Mr. Kenneth MacDonald. He resigned earlier this month after the FBI said he had been present when agents handed over \$100,000 in cash to Mr. Angelo Errichetti, a state senator. The Senator, who is also Mayor of Camden, allegedly told the agents he and Mr. MacDonald could "deliver" two casino licences.

When these allegations came out in the first week of February, Governor Byrne was understandably alarmed about what it would do to the State's casino industry. But as the full extent of the FBI's inquiry emerged, it became obvious that something drastic was needed to restore confidence.

Saying that he wanted to ensure that hotels and banks continued to invest in Atlantic City, Gov. Byrne said gambling there was "honest, and I intend to keep it honest."

And so it was that this week he came out with his plan to get casino gambling back on to the straight and narrow.

His main proposal was to abolish the Casino Control Commission in its present form and to reconstitute it with five full-time commissioners. This move is, in many people's view, long overdue.

The other big change proposed by Gov. Byrne is the abolition of "temporary" licensing, a practice which many critics hold to be the key to Atlantic City's

ills. In order to get Atlantic City moving, New Jersey decided to let casinos open up with temporary licences issued after only cursory investigation. Full licences were to be issued up to a year later when the full investigations had been completed. Not surprisingly, this made it considerably easier for casino operators to secure start-up clearance.

Under the new regime, casino operators will have to undergo the full grill before they can open their doors. But abolition of the practice will cause considerable headaches for both the casino industry and its watchdogs.

Of the three casinos currently in business, only one, Resorts International, has a full licence.

Similarly, a number of would-be casino operators who were counting on a spot of cash-flow before long may be forced to ask their banks for more money to tide them over these new delays.

And there are already signs that the banks will hold back until the corruption charges have been cleared up. This helped push gambling stocks



The one-armed bandits take a good slice of the money.

down on Wall Street last week. But in the longer term the Certainly Wall Street has its doubts. Shares in gambling companies have weakened this shake-up will probably do them good, providing New Jersey

does not vote to abolish gambling altogether, which is unlikely. A thorough purge, some feel, could help bring some stability to an industry that is hard-pressed at the best of times.

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السلامة

## UK NEWS

## BNOC lifts price to \$33.75

BY RAY DAFTER, ENERGY EDITOR

BRITISH NATIONAL Oil Corporation is expected to fix a new North Sea oil "marker" price of around \$33.75—an increase of \$4 a barrel over the January rate—early next week.

According to industry reports, the majority of UK oil production have told BNOC that they want North Sea prices to rise in line with those for competitive African oil, particularly Nigerian oil which recently went up \$4.31 a barrel to around \$34.

BNOC yesterday began to send telexes to other UK oil companies specifying the new marker price, based on Forties Field crude oil. The price rise will probably be backdated to February 1.

British Petroleum has already set the pace. On Tuesday group affiliates were told that oil traded within the company was being priced on the basis of a \$33.75 reference.

In previous months BNOC has taken the pricing lead by recommending increases to other suppliers. This month, however, it adopted a different tactic and asked other companies to estimate the market level for North Sea oil. The Government has supported the Corporation in this move because it can be demonstrated that the industry—and not the state-owned BNOC—is establishing new prices.

BNOC's future role in both oil production and trading has still to be clarified. Ministers and officials within the Energy Department and the Treasury

are pressing ahead with plans to split the corporation and to invite private shareholding into the exploration and production side of the organisation.

However, the process is proving to be more complicated and time-consuming than first envisaged. There are now some doubts about whether the necessary legislation can be introduced in time for BNOC to be reorganised in this parliamentary session.

It is understood that Ministers have set themselves a time limit of three to four more weeks to introduce legislation. Even if they succeed it could be another six months to a year before the full reorganisation process is accomplished. Corporation officials have pointed out to Government officials that the change from a state-owned

joint stock company would necessitate the renegotiation of offshore deals with dozens of other companies.

As it stands Mr. David Howell, Energy Secretary, is keen to keep BNOC's oil trading operation under state control and to introduce private capital into the exploration and production business. This "privatised" wing of BNOC would be the vehicle for expansion in oil exploration areas in the UK and abroad. In time it might also become involved in refinery and chemical operations.

One of the issues that has still to be settled is whether the state interest in the joint stock company would be held by the Treasury, by the Department of Energy, or by BNOC's trading operation.

## No aid for optic fibre industry

BY ELAINE WILLIAMS

THE GOVERNMENT has abandoned a plan to support the development of optoelectronics in the UK.

Optoelectronics is the use of hair thin strands of glass fibre for telecommunications and other applications. It is considered to be a major growth area for electronics in the 1980s.

Optic fibres are forecast to replace the very expensive copper cables which link telephones in the public telecommunications network. They will be cheaper, lighter, and smaller. A single strand can carry more than 1,000 simultaneous telephone calls.

The request for funding for optoelectronics was made last year by the National Economic Development Office's electronic components sector working party to the previous Government, which was believed to be considering between £10m and £20m to support the industry. But the change of Government put the whole scheme under review.

The Industry Department has said there are various support schemes which could be used by electronics companies—notably Standard Telephones and Cables, the General Electric Company and Plessey—if they wanted to develop specific products.

STC does not appear too upset by the lack of Government support. It has recently received £2m worth of orders from the Post Office for the installation of several optic fibre systems in the public telephone network. Plessey and GEC have had similar orders.

## BL plan for new Rover makes good progress

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

PLANS for the next generation of Rover saloons, code-named Bravo, are well advanced.

The four-door version of the car, which BL Cars sees as its flagship for the mid-1980s, is scheduled to be ready for production by autumn, 1983.

Although it is a new car, the cost of introduction should be considerably lower than that of the current Rover, for which a new assembly hall was built at Solihull, Birmingham.

The principal cost will be in redesigning the body work and superstructure of the car. The company believes that many of its components, and certainly the V6 and four-cylinder engines, can be developed for use in the new car.

It will be a smaller vehicle than the present Rover, with the emphasis on fuel economy,

while maintaining performance. A smaller-engined version is also likely to be offered.

Senior management at BL says that although collaboration with an overseas partner would be valuable, the Rover project illustrates that future model development need not be prohibitive. But first the hurdle has to be overcome of financing the Mini Metro—scheduled for October—and the LC10, the middle-range car due in 1982.

REJECTED. BL last night firmly rejected the conclusion drawn from a report by Eurofinance, management consultants commissioned by the Transport and General Workers' Union, that the company is "ill-equipped to compete effectively on its own."

Eurofinance, in a background paper preceding its main report

to the TGWU on the recovery plan drawn up by Sir Michael Edwards, the BL chairman,

says: "Rebuilding the product range and dealer network, and hitting quality and delivery targets, would not alter the fact that the odds are heavily against BL (on its own) in the longer term. The company needs a partner, or partners."

The TGWU remains opposed to the rationalisation plan drawn up under Sir Michael Edwards. Mr. Moss Evans, the general secretary, has supported the highly critical document which led to the dismissal of its author, Mr. Derek Robinson, the Longbridge convenor.

The union is likely to decide in the next month whether to maintain its stance and put forward an alternative strategy.

## How to weaken OPEC's grip

OIL SALES from the Organisation of Petroleum Exporting Countries are likely to account for a much smaller share of world energy supplies over the next few years. But this will not stop oil prices rising.

These are among the conclusions of stockbrokers Wood Mackenzie in a report on world energy trends and their impact on major oil companies. The report says that from the consumer point of view it is clear that a more concerted effort must be made to increase non-OPEC energy supplies and to increase energy efficiency.

"This could have a remarkably quick impact on weakening OPEC's apparent stranglehold over the Western economies albeit at the expense of a low economic growth rate," state the authors, Carol Ferguson and Tony Mackintosh.

Wood Mackenzie has assumed that Gulf crude oil will cost an average of \$31 a barrel this year, \$35 in 1981 and \$38 in 1982.

OPEC's share of non-Communist world energy supplies has fallen significantly in recent years. The trend is likely to continue. In 1973, OPEC accounted for 35.5 per cent of free world supplies. By 1978 its share had fallen to 31.5 per cent. The brokers forecast that by 1983 OPEC could be providing only 26.5 per cent of total energy supplies.

OPEC producers still have the capability of trimming their output to maintain a tight energy supply balance and to keep pressure on prices. OPEC output in 1983 could be 27.5m barrels a day as against 30.9m b/d in 1973. OPEC output could be cut to 20m b/d before

## FREE WORLD ENERGY BALANCES

(m. barrels/day oil equivalent)

	1968	1973	1978	1983	1978-83 annual growth rate %
DEMAND SUPPLY:	67.9	87.0	94.4	103.6	+2.1
Coal	16.4	15.4	16.1	20.5	+5.0
Nuclear/Hydro	5.1	4.7	9.7	13.2	+6.3
Natural gas	12.8	16.7	17.1	19.3	+2.5
OPEC oil	18.8	30.9	29.8	27.5	-1.5
Non-OPEC oil	14.4	17.3	19.1	23.1	+3.9
Eastern bloc exports	0.8	2.1	1.0	1.0	NA
Stocks (built/draft)	(0.8)	(0.5)	(1.0)	(1.0)	-1.9
TOTAL SUPPLY	67.9	87.0	94.4	103.6	+2.1

Source: Wood Mackenzie

encountering undue financial pressures, Wood Mackenzie points out.

The study shows that the Royal Dutch-Shell Group and Exxon are strong in key energy areas. British Petroleum "has made up ground" and overtaken its competitors in non-OPEC oil production but is con-

sidered to be relatively poorly placed in most other areas and particularly weak in natural gas production.

\*The Oil Majors After the Latest Crisis: Carol Ferguson and Tony Mackintosh. Wood Mackenzie, 68-73, Queen Street, Edinburgh; £100 (\$250).

## New rates will drive work away

By Ray Perman, Scottish Correspondent

SIX LEADING industrialists have warned that the 42 per cent rates rise proposed by Labour-dominated Lothian Regional Council, which is defying the Government and increasing its spending rather than making cuts, could mean loss of jobs and the de-industrialisation of the area.

Expressing their alarm, in a letter to the Scotsman, the chairmen or managing directors of Scottish and Newcastle Breweries, Brown Brothers, N.E.L., Bruce Peebles, Drybrough and Co., Ferranti Scottish Division and Christian Salvesen said that a rates burden of the scale proposed would discourage new industries from entering the region and encourage existing companies to expand elsewhere.

## No pipeline

MR GILES SHAW, Parliamentary Under-Secretary at the Northern Ireland Office, has emphasised that a pipeline to carry natural gas to the Province from Scotland at an estimated cost of £100m, cannot be contemplated. He said that it was likely the project would need continuing financial support from the Government even if the EEC paid the total capital cost.

## Happy holiday

NINE out of every ten people who went on package holidays last year were generally pleased, according to a survey carried out for the Office of Fair Trading. Almost 65 per cent of those surveyed were "very satisfied" with their holiday, while 25 per cent were "quite satisfied."

## Banking hopes

Sir Julian Hodge, chairman of the Commercial Bank of Wales, is hopeful about its chances of achieving the status of a "recognised bank" under the terms of the new Banking Act.

## Aerospace industry achieves £282m payments surplus

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITAIN'S AEROSPACE industry had a £282m surplus on its balance of payments last year. The industry's exports amounted to nearly £1.27bn and imports to just over £987m.

Exports of aircraft and parts earned more than £988m. Imports cost more than £490m, giving a £128m surplus.

Exports were boosted by increasing shipments of wings for the European A-300 Airbus, and continued sales of the BAe 125 business jet and the BAe 748 feeder-liner.

But aircraft imports were substantially boosted by continued procurement of Boeing 747

Jumbo jets and Lockheed TriStars for British Airways, and of DC-10s and Boeing 727s and 737s for other airlines.

The imports bill will rise in 1980 and beyond, as BA takes delivery of its own fleet of 28 Boeing 737s, and 18 of the new Boeing 757s from 1983.

Exports of engines during 1979 amounted to more than £550m, imports to £378m. The total was boosted substantially by a continued high level of overseas deliveries of Rolls-Royce RB-211 engines for Boeing 747s and Lockheed TriStars.

Other areas of aerospace

export activity which did well last year include instruments, worth about £73m, and guided weapons, worth more than £23.5m.

Orders for six commercial jetliners for Aerolineas Argentinas, worth nearly \$240m (£104.1m) including spare parts, were confirmed in Seattle by Boeing Commercial Airplane Company, a unit of the Boeing Company.

Purchase, subject to financing, includes two 747-200B passenger planes and four advanced 727-200 aircraft. The planes will be powered by Pratt and Whitney engines.

## MPs agree to reduce 'abortion time'

BY IVOR OWEN

IF ANY change is made in the abortion law in the current Parliamentary session, it will be on the basis that the upper time limit for the termination of pregnancies is reduced from 28 to 24 weeks.

This became all the more certain yesterday, when the Abortion (Amendment) Bill—

the controversial Private Member's measure sponsored by Mr. John Corrie, C., Ayrshire North and Bute—nearly failed to complete its passage through the Commons.

Only five hours of Parliamentary time now remain for the Bill to complete its report stage and third reading in the Commons.

The 24-week period was more

firmly established as the only viable proposal capable of bridging the gap between the pro- and anti-abortion lobbies, when it was written into the Bill by a majority of 103.

But Mr. Corrie declined to make an immediate response to appeals that, in the light of this vote, he should agree to drop other contentious provisions in the Bill.

## BACKGROUND TO THE £101m DEAL FOR RACAL

## The tactics used to clinch control

BY CHRISTINE MOIR

THE TACTICS of Thursday's "shut out" bid by Racal Electronics which won it control of Decca reveal that Decca's board was as keen to get together with Racal as Mr. Harrison was to absorb the company.

Racal announced on Thursday that it was prepared to increase its cash offer to £101m and its share offer to a level currently worth around £104m, knowing its bid would not be topped.

Several days of talks with institutional holders of Decca's voting shares had produced a

number of investment managers, owning nearly 20 per cent of the votes between them, who were prepared either to accept the bid irrevocably or to call their share by way of a "put through" in the market.

Racal already owned 6 per cent of the votes and had acceptances from board members amounting to 25 per cent. So the 20 per cent from the institutions was enough to give it control of Decca and shut out GEC from the bidding. The "shut out" package was proposed by County Bank which was advising Decca's board.

After meetings late last week Decca was convinced that its future lay with Racal rather than with GEC.

On Sunday County Bank told Mr. Harrison it believed it could procure sufficient acceptances to secure a new bid if he agreed to a number of conditions. The "shut out" package would be 600p for the voting shares and 500p for the "A" shares. The share offer would have to be increased appropriately. And—importantly—Mr. Harrison would have to promise to come back for Decca on equally favourable terms if his bid were referred to the Monopolies Commission and survived.

Mr. Harrison and Hill Samuel, Racal's advisors, agreed to the terms and both boards and the two banks prepared to persuade the institutions to support the new bid.

The negotiations took the best part of four days and the last crucial 2 per cent hung in the balance until the early afternoon of Thursday. Carr Seabag, Racal's broker, went into the market just before 3 pm and carried out the "put through" deal which gave Racal 50.4 per cent of Decca's votes.

## LEADING EUROPEAN COMPANIES WITH SUBSTANTIAL DEFENCE CAPABILITIES

COMPANY	SALES (1979)	PRE-TAX PROFIT LOSS (1979)
Decca (UK)	£182.5m	(£384,000)
Ericsson (Sweden)	\$1.1bn ('78)	\$28m
Ferranti (UK)	£124m	£124m
GEC (UK)	£2.5bn	£378,4m
Matra (France)	£283m ('78)	£19m
Philips (Holland)	£8.5bn ('78)	£552m
Plessey (UK)	£448m	£46m
Racal (UK)	£226m	£11m
Siemens (W Germany)	£1.3bn ('78)	£174m (net)
Thomson CSF (France)	£1.5bn ('78)	£18m (net)

Non-UK companies' results have been converted at the average rate of their countries' currencies against sterling for 1978.

## Why Racal fought so hard for Decca's assets

BY JOHN LLOYD

"IF RACAL hadn't got Decca," said an electronics industry analyst yesterday, "I wouldn't have known what they would have done in the 1980s."

The comment, and the reasons for it, give an indication of why Mr. Ernest Harrison, Racal's chairman, fought so hard against the apparently overwhelming odds of the General Electric Company's large cash reserves.

Racal's first and most successful business, tactical radio communications, grew on the growth in arms spending by Third World countries—especially those in the Middle East—after 1973. That market is still large but is not now a booming one. Though Racal has remained dominant in its field, competition has grown tougher.

Its second leg, data communications, has proved fast growing but has been aimed

very much at the civilian market, where Racal has plans to expand in office equipment.

This third division, to be called Racal-Decca, will perform two vital tasks for the company. Firstly, it will take Racal into microwave communications which are of particular importance in the radar field.

Secondly, Decca opens the door to much greater Ministry of Defence and NATO work than Racal has previously commanded. The company needs this to compensate for any future dropping off in Third World markets.

The consensus of view among the exhausted band of Racal-watchers in the City is that the company will take some time to digest Decca. However, it is thought possible that the company will make further smaller acquisitions.

## MPs to debate U.S. tax system

BY MICHAEL LAFFERTY

BRITISH MULTINATIONAL companies' campaign against the United States tax system of some U.S. States will continue in the Commons on Monday.

The companies have asked MPs to register disapproval of unitary tax during a debate on proposed ratification of the UK-U.S. double-tax treaty.

They are not asking MPs to vote against ratification but, rather, to indicate that their

approval is given reluctantly.

Previously, some of the companies had argued that delay in approving the treaty was the best way to encourage U.S. moves to abolish unitary tax.

This is a system—in California and some other States—under which U.S. subsidiaries of foreign, including British, companies face taxation not only on local profits but also on a pro-

portion of a group's world-wide trading results.

Because of a campaign by British companies and other interested parties, advances have been made against unitary tax in California.

A Bill to exempt from unitary tax most foreign-owned companies in the State is proceeding through the State legisla-

ture. In the thick of it... Mrs. Thatcher went walkabout on a visit to Salisbury yesterday and soon found herself amid a sea of faces when she toured a shopping centre.

Most of the faces were friendly, though the Prime Minister also faced a demonstration by Young Liberals, school sixth-formers and trade unionists, chanting "Thatcher must go" and "Tories out!"

A police offer to guide Mrs. Thatcher away from the demonstrators was refused. "I'll see it through if you're game," she told them.



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TODAY, SAT. 16th FEB., 11 a.m./VIEW 10 a.m.  
Auction Remaining Five Bales Marks: PC 6/10 Piece by Piece  
SUNDAY, 17th FEB., 11 a.m./VIEW 10 a.m.  
TERMS: CASH OR CERTIFIED CHEQUES  
Douglas Jackson, Hammond & Co., Auctioneers.

## UK NEWS—LABOUR

## Militant pickets spread private steel strike

By Roy Hodson

FEAR OF militant picketing stopped many private sector steel industry workers from reporting yesterday.

The violence seen on the picket lines outside the private sector Hadfield's works, Sheffield, on Thursday deterred workers from a majority of the other big private sector steel-makers from reporting. Hadfield's men rejoined the strike.

Workers at the two GKN plants in Wales—Brymbo and Cardiff—voted on Thursday night to return to work. But both plants remained idle yesterday.

Private sector steel mill-owners were admitting last night that it was unlikely that they could stay in production if picketing pressures remained at the levels seen during the past few days.

Mr. Selwyn Williams, of the British Independent Steel Producers Association, said last night: "An overwhelming majority of people in our industry want to go back to work, but the inadequacy of the present law and the brutal anarchy seen in the Sheffield picketing yesterday is having its effect on private sector workers everywhere."

Private sector steelmaking plants at Bidston, Merseyside, Manchester, and Sheerness

were still defying the pickets yesterday.

Delegations from a number of the 50 private sector steel works employing Iron and Steel Trades Confederation members will try to meet Mr. Bill Sims, Hadfield's general manager.

FLYING pickets had a pleasant surprise at a private steelworks yesterday—picnic lunches, provided by the management.

Pickets from the Shotton plant in North Wales lunched on fish, chips and peas and a doughnut outside Bidston Steel, near Birkenhead, Merseyside.

It followed a deal between the pickets and the company, which agreed to stop deliveries if production could continue, with goods stockpiled.

A token picket of eight to 10 remained, and were given lunch. The company said it had helped to keep the dispute low-key. It did not begrudge the pickets lunch.

general secretary of the union, on Monday. They are expected to put forward new appeals from work forces to be allowed to return while the ISCT strike against the British Steel Corporation continues.

Christian Tyler writes: Mass picketing of the Sheerness Iron

and Steel company on the Isle of Sheppey is expected next week, when Kent miners will join the lines.

About 250 men from the Northeast joined a picket line outside Edgars, the biggest steel stockholder in Cumbria. Police were called in and there were some scuffles.

Manchester Steel is now the major target for flying pickets in the north.

About 130 men were on picket yesterday outside the melting shop and the rod mill in the Beswick area of Manchester.

They arrived too late to prevent the 50-strong 6 am shift from reporting for work as usual but won a partial victory in the afternoon when about 30 of the company's ISCT men refused to cross their line.

The remaining men were jeered as they went to work but there were no incidents. Pickets from Rotherham said extra men would be brought in by coach on Monday in an effort to persuade the men to stop work. If that failed, they say, they will escalate the dispute into "Hadfield proportions."

Mr. Arthur Scargill, the Yorkshire miner's leader, is due in Manchester on Monday for a rally against spending cuts. The militants say they will try to persuade him to join in a march on Manchester Steel.

## Pay talks deadlock in docks

By Gareth Griffiths, Labour Staff

PAY TALKS between the two unions and the employers at the London enclosed docks collapsed in deadlock yesterday. Both sides are pessimistic about a quick end to the strike.

The week-long strike by members of the National Amalgamated Stevedores and Dockers' Union stopped yesterday. Work at the container berths at Tilbury stopped when Transport and General Workers' Union members decided not to cross NASDU pickets.

Private container terminals and riverside wharves have also been brought to a standstill by the NASDU strike. About 200 NASDU members were called out on Thursday night and now about 1,200 dockers are involved.

A Port of London Authority spokesman said yesterday the container berths at Tilbury handled 75 per cent of the total cargo handled and the overall position was becoming more serious.

A mass meeting of TGWU members at Tilbury had earlier voted on Thursday to continue working normally but had now apparently changed their minds. The London enclosed docks employers' association plan to refer the dispute to a meeting of the Port Labour Executive Committee on Monday. The union has indicated it will not back the reference.

There was strong support yesterday from the NASDU members in the Riverside docks and private terminals. Mr. Les Newman, the union's general secretary said yesterday his members would not handle ships diverted from London.

Both unions have accepted a pay rise for the Riverside group of about 1,000 dockers worth about 16 per cent. The settlement provides for an increase of 15.5 per cent on basic rates, 12.5 per cent bonus and a 25 per cent holiday pay increase.

The Riverside employees are the highest paid dockers in the Port of London. Their settlement will increase pressure for an enclosed docks settlement above the 12 per cent on offer. The employers, particularly the technical, insolvent Port of London Authority, insist there is no more money available. The unions' claims are between 30 and 40 per cent. The settlements reached outside London are about 16 per cent.

## Pay row halts two papers

By Gareth Griffiths, Labour Staff

PRODUCTION of London's Evening News and the southern edition of the Daily Mail was stopped yesterday by a dispute involving 150 electricians over a local pay agreement.

Associated Newspapers, who own both papers, said that 1,500,000 copies of the Daily Mail were lost and there was a threat to the contract printing of the Sunday People. The electricians, members of the Electrical and Plumbing Trades Union, had completely disregarded laid-down procedures, it said.

The dispute is over a 15 per cent house agreement claim. The unions' claim said the men were sacked after threatening to withdraw "goodwill." Associated Newspapers said the men walked out.

Attempts were made last night to set up a meeting between both sides.

## Industry profit margins up during quiet season

FINANCIAL TIMES REPORTER

TRADING PROFITS of 147 industrial companies reporting between late spring and early summer last year increased by 20.1 per cent, the latest FT survey on industrial profits shows.

The survey of 210 companies covers a relatively quiet season for results and the figures should be interpreted with some care.

The increase in the industrial sector compares with a 15.3 per cent gain in the previous quarterly survey, covering 406 companies, and is a sharp improvement on the 0.5 per cent, fall reported a year ago based on 205 companies.

Office equipment and miscellaneous industrials showed rises of 35.7 per cent and 33.4 per cent respectively, more than covering falls of 9.6 per cent

and 13.4 per cent respectively for chemicals and shipping.

Benefiting from lower tax earnings of the industrial companies rose by 26.5 per cent and ordinary dividends paid went up by 23.9 per cent. The net return on capital picked up from 18.8 per cent to 19.3 per cent.

Earnings of the industrial companies rose by 26.5 per cent and ordinary dividends paid went up by 23.9 per cent, benefiting from lower tax. The net return on capital picked up from 18.8 per cent to 19.3 per cent.

Trading profits in the consumer non-durable sector (covering 64 companies) rose by 22.9 per cent over the year. The highlight was stores with an increase of 59.3 per cent. This was followed by food retailing with a rise of 65.8 per cent and newspapers and publishers show-

ing a gain of 47.4 per cent. Falls were registered by leisure (5.4 per cent) and food manufacturing (2.8 per cent).

After heavier tax, earnings for the sector rose by 16.2 per cent and dividends paid increased by 21.3 per cent. The net return on capital improved from 17.7 per cent to 18.5 per cent.

In the capital goods sector (covering 49 companies) trading profits rose by 33.7 per cent. The best performer was contracting and construction with a gain of 58.1 per cent, followed by electricals with a 27.2 per

cent rise. Engineering showed an increase of 19.3 per cent which was translated into a 43.3 per cent gain in earnings. For the sector as a whole earnings showed a jump of 66.1 per cent and dividends paid rose by 40.9 per cent. The net return on capital employed increased from 19.1 per cent to 20.1 per cent.

The 21 companies in the consumer durable sector achieved a 25 per cent gain in trading profits. Household goods was the best performer with an increase of 55.3 per cent in trading profit and a jump of 128.3 per cent in earnings and dividends increased by 45.2 per cent. For the sector as a whole earnings rose by 88.2 per cent and dividends paid went up by 27 per cent.

## TREND OF INDUSTRIAL PROFITS ANALYSIS OF 210 COMPANIES

The Financial Times gives below the table of company profits and balance-sheet analysis. This covers the results (with the preceding year's comparison in brackets) of 210 companies whose account year ended in the period between April 15, 1979, and July 14, 1979, which published their reports up to the end of January, 1980. (Figures in £000).

INDUSTRY	No. of Cos.	Trading Profits (1)	Profits before tax (2)	Pre-tax Profits (3)	Tax (4)	Earnings for Ordinary Dividends (5)	Ord. dividends (6)	Cash Flow (7)	Net Capital Employed (8)	Net Return on Cap. (9)	Net Current Assets (10)
		(£)	(£)	(£)	(£)	(£)	(£)	(£)	(£)	(%)	(£)
BUILDING MATERIALS	8	3,745 (2,845)	3,889 (2,845)	3,418 (2,845)	560 (617)	3,090 (2,433)	614 (454)	1,972 (1,153)	15,331 (15,766)	18.9 (14.4)	4,854 (5,557)
CONTRACTING & CONSTRUCTION	13	61,543 (58,734)	63,056 (58,734)	42,550 (42,511)	4,117 (4,211)	58,194 (50,133)	7,223 (19,590)	37,397 (19,590)	240,238 (176,565)	22.1 (13.4)	108,580 (63,923)
ELECTRONICS (EX. ELECTR. ETC.)	8	18,960 (18,490)	18,416 (18,490)	13,505 (13,505)	4,554 (4,554)	7,922 (5,348)	2,805 (4,529)	6,786 (4,529)	52,135 (59,193)	25.7 (26.9)	27,007 (29,584)
ENGINEERING	19	47,950 (40,128)	46,467 (40,128)	31,787 (28,005)	5,783 (5,783)	22,089 (18,805)	6,443 (4,160)	25,928 (17,236)	197,742 (157,828)	18.4 (13.7)	55,847 (59,585)
MACHINE TOOLS	1	1,053 (933)	911 (720)	681 (636)	230 (260)	598 (376)	57 (58)	608 (486)	5,995 (5,585)	30.3 (20.1)	1,929 (1,439)
MISC. CAPITAL GOODS	5	11,890 (10,128)	9,182 (8,182)	7,947 (7,171)	2,307 (2,307)	5,100 (4,180)	1,446 (1,006)	5,889 (4,708)	57,739 (54,585)	15.9 (14.8)	21,965 (20,585)
TOTAL CAPITAL GOODS	49	141,510 (120,566)	135,821 (120,566)	97,556 (86,511)	21,405 (21,405)	76,304 (64,571)	16,506 (15,135)	75,344 (47,703)	567,260 (508,961)	20.4 (18.1)	259,235 (208,961)
ELECTRONICS RADIO & TV	7	21,822 (21,822)	11,087 (11,087)	8,617 (7,054)	2,756 (2,756)	5,834 (4,339)	1,986 (1,610)	13,866 (11,094)	56,579 (47,539)	19.5 (18.7)	16,597 (13,210)
HOUSEHOLD GOODS	10	20,557 (13,837)	15,904 (13,837)	13,729 (13,729)	4,487 (4,487)	9,580 (4,004)	2,338 (1,587)	10,550 (6,635)	76,131 (66,035)	13.9 (10.9)	42,911 (38,289)
MOTORS & COMPONENTS	4	20,971 (14,458)	16,016 (13,963)	12,945 (11,887)	978 (978)	11,927 (8,888)	2,115 (1,888)	15,752 (8,888)	106,948 (76,110)	18.0 (10.1)	38,125 (30,100)
MOTOR DISTRIBUTORS	—	—	—	—	—	—	—	—	—	—	—
TOTAL CONSUMER DURABLES	21	63,050 (40,447)	42,947 (36,553)	34,791 (28,527)	7,585 (7,585)	27,081 (14,221)	6,335 (4,988)	38,165 (28,258)	289,758 (208,585)	17.9 (17.1)	57,644 (41,148)
BREWERIES	3	71,481 (66,761)	50,495 (46,186)	43,496 (41,448)	13,993 (9,109)	39,571 (31,856)	12,951 (11,094)	31,376 (20,435)	376,685 (337,215)	15.4 (13.7)	45,015 (40,488)
DISTILLERIES & WINES	2	24,375 (19,325)	21,821 (17,507)	19,088 (15,514)	8,303 (6,241)	12,928 (6,366)	2,766 (1,888)	12,088 (6,366)	98,015 (75,870)	23.5 (23.5)	55,958 (45,258)
HOTELS & CATERERS	—	—	—	—	—	—	—	—	—	—	—
LEISURE	5	76,130 (66,485)	47,299 (37,559)	22,997 (16,156)	9,518 (16,877)	19,480 (25,398)	5,564 (11,553)	32,799 (27,955)	406,456 (405,417)	11.5 (12.5)	108,494 (76,569)
FOOD MANUFACTURING	6	60,794 (57,738)	56,717 (56,717)	44,307 (44,307)	16,195 (16,195)	26,594 (26,594)	10,513 (9,947)	27,687 (26,817)	340,244 (346,457)	16.7 (16.7)	132,517 (132,517)
FOOD RETAILING	7	101,618 (81,810)	75,594 (65,594)	67,008 (67,008)	30,734 (27,145)	37,507 (37,507)	15,721 (15,721)	41,119 (37,148)	276,008 (256,148)	27.3 (24.8)	111,798 (88,197)
NEWSPAPERS AND PUBLISHERS	2	5,136 (5,136)	7,222 (7,222)	7,132 (7,132)	3,785 (3,785)	4,863 (4,863)	881 (870)	4,588 (4,588)	30,307 (30,307)	25.3 (25.3)	4,833 (4,833)
PACKAGING AND PAPER	5	4,995 (4,995)	4,038 (4,038)	4,007 (4,007)	1,240 (1,240)	3,666 (3,666)	803 (803)	2,448 (2,448)	13,888 (13,888)	21.4 (21.4)	5,687 (5,687)
STORES	7	25,125 (12,115)	20,475 (10,245)	20,404 (10,245)	5,104 (5,104)	14,935 (10,245)	2,938 (2,938)	17,498 (17,498)	55,020 (55,020)	38.6 (38.6)	38,948 (38,948)
CLOTHING AND FOOTWEAR	19	38,458 (29,447)	32,228 (24,512)	26,920 (21,704)	9,510 (7,984)	15,205 (15,205)	4,972 (4,972)	15,205 (15,205)	133,782 (113,011)	24.1 (21.0)	65,771 (55,428)
TEXTILES	8	13,327 (9,521)	10,470 (7,577)	9,641 (6,737)	3,227 (3,227)	6,195 (3,227)	1,684 (1,684)	6,099 (6,099)	40,628 (35,553)	25.8 (20.0)	19,245 (17,588)
TOBACCO	—	—	—	—	—	—	—	—	—	—	—
TOYS AND GAMES	2	6,018 (4,930)	4,712 (3,948)	3,919 (3,919)	379 (379)	3,489 (3,489)	757 (588)	3,600 (3,600)	27,608 (21,500)	12.1 (12.1)	10,450 (8,134)
TOTAL CONSUMER NON-DURABLES	64	438,478 (356,816)	330,956 (281,141)	289,532 (238,005)	97,109 (86,510)	187,900 (144,841)	37,459 (27,573)	191,800 (168,012)	1,786,572 (1,598,666)	18.5 (17.7)	461,142 (408,667)
CHEMICALS	2	99,967 (110,557)	84,253 (98,209)	76,047 (89,557)	35,104 (43,559)	39,410 (44,588)	14,210 (10,994)	41,600 (47,236)	422,248 (412,497)	20.0 (20.0)	200,961 (200,961)
OFFICE EQUIPMENT	1	11,647 (5,561)	10,428 (7,706)	9,772 (7,706)	4,981 (4,981)	4,793 (4,793)	2,183 (1,332)	39,637 (37,728)	36,327 (36,327)	25.2 (25.2)	5,910 (5,910)
SHIPPING	1	973 (1,184)	441 (254)	—	—	—	—	—	18,911 (18,911)	5.8 (2.0)	—
MISC. INDUSTRIAL	9	61,888 (58,909)	38,011 (37,510)	31,784 (28,553)	11,552 (9,739)	18,814 (15,553)	5,556 (5,556)	26,420 (26,420)	121,234 (107,004)	21.0 (16.0)	67,093 (50,004)
TOTAL INDUSTRIALS	147	807,310 (672,100)	622,842 (552,158)	519,301 (455,566)	178,442 (151,560)	334,186 (284,164)	58,312 (58,312)	304,390 (280,997)	2,766,883 (2,555,017)	19.8 (18.0)	716,004 (681,200)
OIL	2	292 (198)	—	—	—	—	—	—	—	—	—
BANKS	—	—	—	—	—	—	—	—	—	—	—
DISCOUNT HOUSES	2	19,861 (19,861)	—	—	—	—	—	—	—	—	—
WIRE PURCHASE	1	156,955 (102,100)	110,830 (86,710)	20,100 (17,000)	3,990 (4,180)	14,210 (11,120)	—	—	—	—	—
INSURANCE	—	—	—	—	—	—	—	—	—	—	—
INSURANCE BROKERS	—	—	—	—	—	—	—	—	—	—	—
INVESTMENT TRUSTS	29	40,165 (34,325)	39,290 (34,325)	21,758 (17,439)	10,719 (10,719)	30,506 (23,606)	12,111 (12,111)	3,405 (3,405)	777,189 (707,088)	5.1 (4.8)	11,807 (10,079)
PROPERTY	14	35,822 (34,474)	31,892 (24,158)	19,894 (16,058)	5,117 (5,117)	12,614 (9,908)	5,998 (5,998)	7,959 (7,959)	400,946 (399,145)	8.0 (7.3)	1,695 (1,695)
MISC. FINANCIAL	9	22,449 (22,449)	16,814 (16,814)	14,769 (13,605)	5,776 (4,783)	8,880 (8,880)	3,885 (3,885)	7,046 (7,046)	188,978 (182,578)	11.1 (10.5)	17,559 (17,559)
TOTAL FINANCIAL	55	262,742 (202,100)	201,816 (161,895)	125,966 (96,560)	25,108 (25,108)	61,934 (53,742)	31,561 (26,537)	57,119 (50,969)	1,531,321 (1,376,559)	12.2 (11.7)	118,994 (108,244)
RUBBERS	1	714 (516)	676 (477)	676 (477)	330 (277)	358 (200)	150 (100)	342 (342)	5,518 (5,518)	19.2 (13.7)	486 (486)
TEA	—	—	—	—	—	—	—	—	—	—	—
TIN	—	—	—	—	—	—	—	—	—	—	—
MISCELLANEOUS MINING	—	—	—	—	—	—	—	—	—	—	—
OVERSEAS TRADERS	5	106,458 (106,458)	89,360 (77,549)	87,740 (77,549)	20,881 (20,881)	35,001 (20,881)	19,682 (19,682)	36,008 (36,008)	549,372 (481,812)	18.9 (16.1)	170,964 (150,964)
TOTAL COMMODITIES	6	107,172 (106,963)	90,036 (78,036)	88,415 (77,587)	20,811 (20,811)	34,258 (20,811)	19,633 (19,633)	36,286 (36,286)	589,990 (503,103)	16.5 (16.1)	180,490 (150,964)

## NOTES ON COMPILATION OF THE TABLE

The classification follows closely that of the Institute of Actuaries, which has been adopted by the Stock Exchange Daily Official List. Col. 1 gives trading profits plus investment and other normal income property belonging to the financial year covered. The figure in brackets before the trading profits figure shows the charge of depreciation, loan and interest, directors' emoluments and other items normally shown on the profit and loss account. Included are all exceptional or non-recurring items such as, for example, capital profits, unless the latter arise in the ordinary transaction of business. N.B.—Certain companies, including merchant banks, discount houses, insurance and shipping companies are exempted from disclosing the full information required under the Companies Act, 1948. Col. 2 gives profits before interest and taxation that is to say profits after all charges except loan and interest, but before deducting taxation provisions and minority interests. In the case of Banks, no figure can be shown because of non-disclosure (see foregoing paragraph). Col. 3 shows Pre-tax Profits that is to say profits after all charges including depreciation and loan interest but before deducting taxation provision and minority interests. Col. 4 groups all

## THE WEEK IN THE MARKETS

## Week of the takeover

On the threshold of the Year of the Monkey, the stock market has been through the week of the takeover. It is not just that the final tussle for Decca, which saw Rascal triumph over GEC, the unmasking of De Beers as the mystery buyer of Consolidated Gold Fields shares, and a £100m bid for Furness Withy have all taken place together. A number of other companies are on the receiving end of total or partial welcome or unwelcome approaches—CompAir, S. Hoffnung, Godfrey Davis are only the most recent.

Not surprisingly, the whole equity market is galvanised by the asset backing of shares. Furness Withy earns hardly anything, but has a valuable fleet of ships. Decca is making losses. In its eagerness to identify asset-rich companies, the market has not yet been restrained by the danger signs of lower earnings, especially among engineers: both Birmid Quacast and Alcan (UK) cut their dividends this week.

Uncomfortable wholesale price figures and confirmation in the money supply statistics of the buoyant bank lending trend have kept gilt-edged down, although the Bank of England's decision to inject liquidity into the money market through the clearing banks took some of the pressure off.

## Furness again

There have been more take-over rumours surrounding Furness Withy over the years than

LONDON  
ONLOOKER

almost any other company on the stock market. For years the share price has been propped up by hopes that a predator was just about to pounce.

Last week the wealthy Hong Kong ship owner, C. Y. Tung came out of the shadows and popped a \$96m cash bid for Furness Withy on the table. At 360p per share the bid is well below Furness's 1978 net asset value and compares with the £6 per share net asset value which some stock market analysts believe Furness is really worth.

On the other hand, Furness Withy is not doing very well and its pre-tax profits for 1979 are likely to be around the £2m mark—a far cry from the £25m earned in 1974. Meanwhile, Furness's majority owned subsidiary, Manchester Liners, probably lost money last year and is likely to do no more than break even in the current year.

C. Y. Tung is very rich and his fleets are second only to the legendary Sir Y. K. Pao in terms of shipping tonnage. Pao controls 14.5m dwt and Tung controls over 9m dwt. By contrast the entire British fleet (including all the big oil companies' tankers) only amounts to 31m dwt.

The C. Y. Tung group can afford Furness Withy. However, the bid is not going to be

decided solely on the basis of price. Furness Withy has a 16 per cent stake in Overseas Containers and its partners may be happy to see that stake bought by a rival—Tung is bidding for Furness through his Overseas Orient Container Company.

The British Government may also not be happy to see ownership of a major British company transferred abroad (the French certainly would not) and the trades unions are likely to be concerned about the fact that so many of Tung's ships fly under flags of convenience.

Clearly, there are a number of hurdles that need to be crossed before Furness is taken over. However, there have been so many blocks of Furness shares floating around over the years that it would be in the interests of the company and the morale of the staff if either Furness was taken over once and for all or left to get on with its business in peace.

## Bouncing about

Guthrie Corporation is another bid stock which has been hard to keep out of the limelight; only here there has been no need for any guesswork as to the identity of the likely bidder. At the end of next month the Malaysian-based trading group, Sime Darby, will be free of the Takeover Panel's 12-month rule, prohibiting a renewed offer for Guthrie.

As the expiry date draws nearer and the rubber price pushes ahead, the Guthrie share

price has been growing faster than a bamboo shoot. But the shares in any event a very limited market with so many powerful holders arrayed on opposite sides of the battlefield, turned back sharply towards the end of the week.

This can be partly explained by the retreat of the plantation sector in general but Guthrie was very strongly tipped to have approached City and International Trust, an authorised investment trust, with a view to an offer. Nothing has been confirmed, as yet, but any initiative of this sort does appear to make a great deal of sense to Guthrie.

Sime's last salvo was fired at the equivalent of 525p per share and it may wait until it sees how far Guthrie profits have been undershooting before pitching again. Guthrie's share price, even after the recent shake-out, is being fuelled by a persistent up-grading of estimated net worth. Assets are now thought to be worth at least 850p per share and M & G, a staunch Guthrie supporter last year, believes the ante has probably been raised to £10 per share.

That is the theory. In practical terms, Guthrie is starting to reduce its dependence on the Malaysian plantation industry. The £20m partnership deal signed with the Philippines Government earlier this month to develop 20,000 acres of oil palms is to be the forerunner of similar ventures in other territories. At the same time, Guthrie nurses U.S. expansionary ambitions.

## Willing CompAir

The news that CompAir, an international leader in the compressed air equipment market, has agreed to a take-over offer raises a big question-mark over the future for medium-sized independent engineering companies.

CompAir is an ambitious company — but inflation is pushing up its working capital needs, and there was not much chance of it raising a lot of new equity through a rights issue. If it had retained its independence, it would have had to lower its sights.

The bid came from Imperial Continental Gas Association, a cash rich group with utility interests in Belgium, Calor Gas in the UK, a 6.6 per cent holding in Petrofina and various North Sea oil interests.

It values CompAir at £58m, or £63.3m on a fully diluted basis, equivalent to a discount of 6 per cent to net worth in the year-end balance sheet.

CompAir, in spite of difficulties in 1978-79 over industrial relations and exports to Europe, is one of the healthier companies in the engineering sector, with reasonably sound growth prospects. Its main competitor in Europe is the Swedish company Atlas Copco, and CompAir believes it needs fairly substantial capital expenditure to stay in the race.

So the prospect of pulling in its horns because of cash restrictions make independence appear a rather over-valued commodity. More attractive is the take-over, in which I.C. Gas is to provide finance and leave CompAir responsible for its own affairs.

## Fed sounds the alarm

YESTERDAY'S ingenuitously act by the Federal Reserve in firing an early morning salvo over the financial markets with a 1 per cent rise in the discount rate created the desired sense of alarm.

A rush of sell orders wiped more than 10 points off the Dow Jones industrial average in virtually as many minutes. But by midday, there were signs that panic had subsided and that with a strong six week rally behind it, the stock market intended to try to take a more balanced view.

That will be difficult because the most important trend so far this year in the market has been a growing desire by portfolio managers to hedge their bets.

The evidence for this is the estimated \$53bn currently stockpiled into short term money market funds, where interest rates have been unattractive (around the same level as on last year's going rate of consumer price inflation of 13 per cent) but where at least investors were not being forced to take a long view.

A long view in the bond markets in this period would have been a self-evidently high risk. With an expansionary U.S. Federal Budget, a strong upward surge in commodity prices and no evidence of renewed political will to tighten inflation fighting tactics, there seemed to be no prospect of inflation coming down. Long term bond yields of about 11 per cent therefore

NEW YORK  
IAN HARGREAVES

began to look very unsatisfactory indeed.

That, principally, is what helped the stock market to its rally this year—a rally, incidentally, which in the middle of last week lifted the Dow to its highest level for 17 months, taking it crashing through the 900 barrier. Investors moved out of bonds and into stocks and short-term money instruments.

The market has been buzzing with stories of big pension fund managers "switching to equities." The best tale was that the men who run General Motors' pension funds had decided to raise the proportion of common stock in their portfolio from 50 to 70 per cent.

Because accurate statistics on the movement of institutional funds lag well behind the movement, this trend is chiefly describable in only anecdotal terms.

The only up-to-date figure which means anything is to note the volume of block trades (transactions involving over 10,000 shares) on the exchanges. In January there were 15,158 such trades, almost 50 per cent higher than the previous record and almost double the December level.

Does this rise in the discount rate—the rate at which the Fed lends money to banks and therefore a critical factor in the level of short-term interest rates—mean that the portfolio managers have read it wrong and will now scuttle?

It is too early to be sure, but probably not. This is the third Fed anti-inflation package inside three years and the market is inclined to wait and see whether the Fed moves further.

The stock market will also want to study the reaction of its neighbour, the bond market. Here the issue is whether the emergence of a renewed Fed attack on inflation genuinely promises to reduce inflation and thereby salvage the long term bond markets, whose very existence has been called into question this year.

If it decides yes, then the stock markets look set for a quieter, though not necessarily disastrous, period. If it decides no, the institutional funds managers will presumably continue to look with favour on investments in stocks, however precariously positioned such a viewpoint may be in the longer term, given the risks to the dollar in the U.S. pursuing a blithely inflationary course.

Monday 889.59 - 4.74  
Tuesday 898.98 + 9.39  
Wednesday 903.84 + 4.86  
Thursday 898.77 - 10.07  
Friday (noon) 886.60 - 7.17

## MARKET HIGHLIGHTS OF THE WEEK

	Price	Change	1979/80	1979/80
	Yday	Week	High	Low
FT Ind Ord Index	462.6	+ 1.2	558.6	406.3
Charter Cons.	185	+29	198	69
City & Int. Trust	135	+29	137	87
CompAir	103½	+25	103½	52
Cons. Gold Fields	514	+14	617	178
De Beers Dfd.	547	+50	553	332
Decca "A"	490	+50	490	230
Fashion & General	200	+73	205	113
Fisons	289	+15	332	227
Freemans	122	-26	190	110
Furness Withy	377	+113	400	218
Guthrie	810	+43	900	320
Hoffnung (S.)	86½	+12	89	53
Meat Trade Suppliers	83	+8	92	75
Messina	230	+43	230	56
Polly Peck	16	+8	16	6
Saranthe Exploration	163	+51	163	25
Silvermines	123	+28	125	36
Sound Diffusion	65	-10	77	24½
Whittingham (W.)	108	+12	110	38

## De Beers and the City

BY RICHARD LAMBERT

AT 6.30 on Tuesday morning, a partner in leading City stock-brokers Rowe and Pitman received an early morning phone call from South Africa. His instructions were to mount a £10m share raid on Consolidated Gold Fields that morning.

At 8.30 am the operation was under way, and by 10 am it was all over.

De Beers had bought 11 per cent of Gold Fields in an hour and a half, which together with the shares which it and "other parties" had been secretly acquiring over the previous four months added up to a 25 per cent interest in the company.

De Beers then announced that it had that morning secured options from the other parties to buy their shares, and that half its enlarged holding was to be passed on to a fellow member of Mr. Harry Oppenheimer's South African mining empire, Anglo American Corporation.

But although the transaction has been completed, the story is by no means over. The Secretary of State for Trade has appointed inspectors to investigate the ownership of Gold Fields.

The Office of Fair Trading is deciding whether to look into the affair and the Stock Exchange is mounting its own investigation of share dealings in Gold Fields.

These stable doors will be clanging for quite some time to come.

It was early last October that Gold Fields first became aware of odd movements in its share register. The company keeps a record of its outstanding shareholdings — shareholders applying for new certificates after selling off part of their holding.

At the end of September, the figure was 231,000. A month later it was 1.2m, and by the end of December it was 5.3m. Since these figures did not tally with the number of actual share registrations, Gold Fields became convinced that unknown

buyers were accumulating large numbers of its shares, and not registering their ownership. Outstanding certificates in January climbed above 9.5m, and late that month Gold Fields applied unsuccessfully to the Stock Exchange for help in finding out what was happening.

A week ago, with the number rising inexorably towards 12½m, Gold Fields made a public statement of its concern, and on Monday it was driven to the desperate step of requesting the appointment of Government inspectors.

This is presumably what forced De Beers' hand. One of the big questions is how this operation was mounted without breaking UK company law, which requires that anyone who buys 5 per cent or more of a company should show his hand. Apart from emphasising that it took great pains to observe the law, De Beers refuses to elaborate on Tuesday's brief statement. It stands on its reputation, it says.

All the same, the Department of Trade inspectors have not been called off the case and are likely to be asking questions related to Section 28 of the 1967 Companies Act.

Before its share raid, De Beers had just under 5 per cent of Gold Fields. According to its statement, it secured on Tuesday options from two unnamed parties to purchase two companies, one of which held 4.9 per cent of Gold Fields and the other 3.4 per cent.

Section 28 says, among other things, that a person shall be deemed to be interested in shares if:

• a body corporate is interested in them, and that body corporate or its directors are accustomed to act in accordance with his directions or instructions;

• if he enters into a contract for the purchase thereof by him;

• if he has the right to call for delivery thereof by himself or to his order.

Whatever the explanation, it is hard to quarrel with the statement from Mr. Nicholas Goodison, chairman of the Stock Exchange, who said: "It looks as if the intention of company law, which is that a company should be able to discover the beneficial owners of its capital, was being at least temporarily frustrated."

Such behaviour may be familiar on the wilder fringes of the secondary banking sector. In the case of De Beers and its agents, it seems extraordinary.

A separate cause for concern is the way that the vast majority of Gold Fields' shareholders were excluded from the buying bonanza on Tuesday morning. Having closed at 525p on Monday night, the buying price for a brief and hectic period on Tuesday morning was 615p.

Immediately after the order was completed, the shares fell back sharply, and they were pushing down towards 500p later in the week. Yesterday they closed at 514p.

De Beers bought its shares on a first come first served basis, which inevitably meant that the institutions got the lion's share of the action. Rowe and Pitman told the four jobbers in the stock what was happening at 8.30 a.m., but it was not until nearly an hour later that many leading brokers heard what was going on.

For an hour and a half, the City's telephones were humming with specific, privileged, price sensitive information. It would be challenging to explain to anyone not wise in the ways of the Square Mile why this does not count as insider trading.

A general view among stock-brokers is that in a free market a big buyer (or seller) is bound to get better terms than the maiden suitor in Brighton. This must be true, up to a point. But De Beers has spent over £150m on its investment in Gold Fields, which is a lot more than Rascal is forking out for the whole of Decca.

If the stock market is to be anything more than a place where a handful of big institutions swap shares among themselves, then in cases like this a partial offer available to all shareholders must surely be appropriate. To condone De Beers' action and at the same time to beat about the passing of the small investor is bungling.

Mr. Goodison certainly takes the point. Asked whether he was concerned about the apparent difficulties which smaller investors had in selling shares at Tuesday morning's price, he replied "Yes, very."

Mining, Page 6

## ON NOVEMBER 15TH, ONE OF THE BEST REASONS EVER FOR MOVING INTO GILTS WAS DISPLAYED IN THE STOCK EXCHANGE.

It is generally agreed that the best time to move into Gilts is when interest rates are high.

At the moment the MLR stands at 17% — the highest it has ever been. And other interest rates are also at historically high levels.

That is why Abbey Life, with their enormous experience in the Gilts market, have chosen this time to introduce their Fixed Interest Fund, which is designed to help investors make the very most of the Gilt Edged market.

But before you make a decision, let us take you through the generally accepted arguments in favour of Gilts at the moment.

## FIRST, WHAT ARE GILTS?

"Gilts" is a word commonly used to describe British Government securities. They are issued by the Government to raise money to help finance public expenditure. Most of these stocks carry a guaranteed rate of interest which is fixed for a number of years no matter what happens to the market generally. And capital repayment is guaranteed.

## WHAT DO THEY OFFER?

First of all, Gilts obviously offer income (the interest). But there is more to them than that.

Since so many Gilt stocks have been issued over the years, a good two-way capital market exists where investors buy and sell the various stocks available. The costs of dealing are very low and so the knowledgeable investor can afford to buy and sell in order to take opportunities for capital gains.

## WHY DO THEY OFFER SO MUCH RIGHT NOW?

Well, with interest rates so high the income return which can be secured now is also very high.

But it is widely thought that the current high interest rates cannot remain for very long. They are likely to come down. This means that the high income returns now available may not be available for much longer.

However, by investing now, the benefits of high income can be secured for many years to come.

But there's another, perhaps more important, factor: As interest rates go down, the capital value of stocks on the Gilt market goes up.

## CAN ABBEY LIFE OFFER MORE?

Buying one or two stocks yourself and hanging on to them until redemption — or until you wish to sell — is one way to invest in the Gilt market.

However, greater scope exists for professional Fund managers who can monitor the Gilt market from day to day. By buying and selling quickly and expertly they can seize the opportunities for gain presented by the frequent market fluctuations.

This is precisely what Abbey Life is offering the investor through the new Fixed Interest Fund.

In addition you have all the other benefits attached to Abbey Single Premium Bonds, including life assurance cover; a withdrawal facility; and the right to switch to any one of our other Funds.

## WHAT DOES ABBEY LIFE KNOW ABOUT THE GILT MARKET?

Although the Abbey Fixed Interest Fund is the latest addition to the Abbey Life portfolio of popular Funds, the management of Gilts and Fixed Interest Securities is nothing new for Abbey Life. Abbey Life Investment Services already manage fixed interest securities and deposits of £450m.

## WHERE IS THE FUND INVESTED?

The overall aim of the Fund is to obtain a return of income combined with capital gain from investments in the Fixed Interest and Money Markets. Whilst current economic conditions prevail your money will be invested in an actively managed portfolio of British Government Securities, Local Authority Loans and Short Term Deposits.

However, should the investment climate radically change, the Fund Managers have the expertise and flexibility to move into other appropriate investments.

## HOW TO INVEST.

To invest in units of the Abbey Fixed Interest Fund, simply complete the coupon and return it to us with your cheque for not less than £1,000. We will then send you your Abbey Fixed Interest Bond showing the number of units allocated to you and your life cover, together with our Fixed Interest booklet explaining, in more detail, how the Fund operates.

You can see the unit prices every day in the national press. Investment in the Fund should be considered medium to long term. You must remember that unit prices can go down as well as up.

The Bond is a Single Premium Life Assurance Policy. Units are allocated to the Abbey Fixed Interest Fund at the time of purchase. The value of the units will fluctuate with the value of the Fund.

Series A Accumulator Units are allocated to the Abbey Fixed Interest Fund at the time of purchase. The value of the units will fluctuate with the value of the Fund.

The Bond can be surrendered at any time at the bid price of the units at the valuation day following receipt of your request for surrender. On death the greater of the bid price and the value of units at the bid price is payable. The Company reserves the right to suspend payment of surrender values for up to 12 months.

Unit prices, which take account of reinvested net

Income and the Commission prospective liability to Capital Gains Tax, are calculated on the basis of growth with interest and dividends reinvested in the Fund.

You may withdraw a set amount from your Bond each year, up to 10% of the value of units allocated to you, and the balance will be reinvested in the Fund. No surrender charges will be payable on withdrawals exceeding 5% per annum of the net asset value.

You have no personal liability to Basic Rate Tax or Capital Gains Tax at any time. However, if the Bond is surrendered, the value of the units at the bid price will be subject to Capital Gains Tax and the balance will be reinvested in the Fund.

Full details of the terms and conditions of the Bond, or on surrender, are to be found in the Fund brochure accompanying your Bond.

To: New Business Dept, Abbey Life Assurance Co. Ltd., 100, Abchurch Lane, London EC4N 3DF.

I wish to invest £..... in Abbey Fixed Interest Bonds (any amount from £1,000 and I enclose a cheque for this amount payable to Abbey Life Assurance Company Limited).

Surname/MR/MRS/MISS BLOCK CAPITALS PLEASE

Full Name

Address

Occupation

Date of Birth

Are you in good physical and mental health and free from the effects of any previous illness or accident? If not please give details.

Signature

Do you already hold another Abbey Life Policy? Yes/No. If yes, please attach details of the policy.

Ready investment of £.....

Half-yearly investment of £.....

For your guidance only the current offer price of the Series A unit is 100p. This offer is not open to residents of the Republic of Ireland.

Specimen Only Age and ordinary Constant Life Rates: £1,000 - 2,000 - 3,000 - 4,000 - 5,000 - 10,000 - 20,000 - 30,000 - 40,000 - 50,000 - 100,000 - 200,000 - 300,000 - 400,000 - 500,000 - 1,000,000 - 2,000,000 - 3,000,000 - 4,000,000 - 5,000,000 - 10,000,000 - 20,000,000 - 30,000,000 - 40,000,000 - 50,000,000 - 100,000,000 - 200,000,000 - 300,000,000 - 400,000,000 - 500,000,000 - 1,000,000,000 - 2,000,000,000 - 3,000,000,000 - 4,000,000,000 - 5,000,000,000 - 10,000,000,000 - 20,000,000,000 - 30,000,000,000 - 40,000,000,000 - 50,000,000,000 - 100,000,000,000 - 200,000,000,000 - 300,000,000,000 - 400,000,000,000 - 500,000,000,000 - 1,000,000,000,000 - 2,000,000,000,000 - 3,000,000,000,000 - 4,000,000,000,000 - 5,000,000,000,000 - 10,000,000,000,000 - 20,000,000,000,000 - 30,000,000,000,000 - 40,000,000,000,000 - 50,000,000,000,000 - 100,000,000,000,000 - 200,000,000,000,000 - 300,000,000,000,000 - 400,000,000,000,000 - 500,000,000,000,000 - 1,000,000,000,000,000 - 2,000,000,000,000,000 - 3,000,000,000,000,000 - 4,000,000,000,000,000 - 5,000,000,000,000,000 - 10,000,000,000,000,000 - 20,000,000,000,000,000 - 30,000,000,000,000,000 - 40,000,000,000,000,000 - 50,000,000,000,000,000 - 100,000,000,000,000,000 - 200,000,000,000,000,000 - 300,000,000,000,000,000 - 400,000,000,000,000,000 - 500,000,000,000,000,000 - 1,000,000,000,000,000,000 - 2,000,000,000,000,000,000 - 3,000,000,000,000,000,000 - 4,000,000,000,000,000,000 - 5,000,000,000,000,000,000 - 10,000,000,000,000,000,000 - 20,000,000,000,000,000,000 - 30,000,000,000,000,000,000 - 40,000,000,000,000,000,000 - 50,000,000,000,000,000,000 - 100,000,000,000,000,000,000 - 200,000,000,000,000,000,000 - 300,000,000,000,000,000,000 - 400,000,000,000,000,000,000 - 500,000,000,000,000,000,000 - 1,000,000,000,000,000,000,000 - 2,000,000,000,000,000,000,000 - 3,000,000,000,000,000,000,000 - 4,000,000,000,000,000,000,000 - 5,000,000,000,000,000,000,000 - 10,000,000,000,000,000,000,000 - 20,000,000,000,000,000,000,000 - 30,000,000,000,000,000,000,000 - 40,000,000,000,000,000,000,000 - 50,000,000,000,000,000,000,000 - 100,000,000,000,000,000,000,000 - 200,000,000,000,000,000,000,000 - 300,000,000,000,000,000,000,000 - 400,000,000,000,000,000,000,000 - 500,000,000,000,000,000,000,000 - 1,000,000,000,000,000,000,000,000 - 2,000,000,000,000,000,000,000,000 - 3,000,000,000,000,000,000,000,000 - 4,000,000,000,000,000,000,000,000 - 5,000,000,000,000,000,000,000,000 - 10,000,000,000,000,000,000,000,000 - 20,000,000,000,0



## YOUR SAVINGS AND INVESTMENTS

Tim Dickson looks at the recent revival of investment trusts

## A sudden glimpse of daylight

IF YOU are prepared to keep faith with equities over the coming months, then look carefully at investment trusts. Events this week provided further evidence that 1980 could be a turning point for the whole investment trust sector.

Take Wednesday's announcement of outside interest in City and International, the £20m trust run by Philip Hill (Management). The company's directors emphasised that discussions are "at too early a stage for the board to predict the outcome" but nevertheless, besides fueling City and International's own share price, the news has added impetus to an already excited investment trust market.

Trusts have been among the top performing stock market sectors over the last month, a point emphasised by the narrowing of the investment trust discount to around 25 per cent last night. At the beginning of the year it was still hovering above 30 per cent. (The "discount" is the difference between a trust's asset value and its share price and is a handicap which in varying degrees investors have had to contend with for the last eight years.)

It is true that takeover bids have been a recurring feature of the investment trust sector over the past four years. And realists rightly point out that investors have seen plenty of false dawns before now. Shares have moved ahead in anticipation of further bids only to fall back as hopes were unfulfilled.

There are, however, a number of reasons for thinking that a more permanent rerating may be in progress. Investment trusts, like unit trusts, were originally established to buy

shares in other companies and thereby give investors access to a wide range of equities.

Both types of investment vehicle have lost many of their adherents as a result of the bear markets of the last decade. But while unitholders are able to get out at near to asset value, investment trust shareholders first have to find a willing buyer for their shares in the stock market.

A serious excess of supply over demand has consequently tended to widen the discount, a fact which has intensified investors' suspicion of investment trusts.

There are now real signs, however, that a significant number of investment trusts will disappear and restore something of the balance between supply and demand. Not only are developments at City and International being eagerly anticipated but the rumour is that a much bigger trust could be knocked off its perch next week.

Besides this, 1980 has already witnessed Rothschild Investment Trust bid for Hume Holdings and through Hume the same group's unitisation proposals for the Carliol and Tyneside investment trusts.

Meanwhile Mercantile Investment Trust's annual meeting could be an important turning point and the event will be watched anxiously by investment trust managers and shareholders. Mercantile successfully fended off a motion calling for its liquidation, but at the same time certain institutions gave the directors two years to spice up its image and performance.

Most analysts, however, feel

that these big shareholders now have more stomach for the fight and one adds, perhaps a touch theatrically, that the future of the investment trust sector "will be fought out over Mercantile's body."

Another stockbroker, Mr. Garth Milne, of Laing and Cruickshank, argues that it is the current variety of break up proposals which makes him bullish about the investment trust sector.

"In the past the bids have come largely from pension funds but this time there are unitisation proposals, signs of interest from industrial companies and the positive lead of a big institution in the form of Rothschild Investment Trust."

"The institutional shareholders have become much more hawkish recently and there is a momentum which I do not think will easily disappear."

While takeover interest undoubtedly dominates the investment trust scene at the moment, attention has also been focused on trusts with specialist portfolios. One fundamental reason for the lack of demand for investment trust shares is the make-up of many of the trusts' portfolios — too many are over-weighted with large blue chip companies which (largely institutional) investment trust shareholders can easily buy themselves.

Many investment trust managers, on the other hand, argue that general funds far in with their aim of general portfolio management — specialisation, they say, has its place but should not be a trust's main function.

Nonetheless trusts like RIT and London Trust, which have added small and unquoted companies to their portfolios, have in many cases moved from higher than average to lower than average discounts over the past year.

Further signs of specialisation, were announced last week. Throgmorton Trust announced that it was paying almost £4m for the one quoted and four unquoted companies in Capital for Industry, a subsidiary of Grindlays Bank.

Electra Investment Trust, which avowedly concentrates on specialisation, gave further proof of this policy by increasing its stake in Heywood Williams to an unusually large 12.6 per cent.

What are private investors to make of these developments? It is well to remember that the investment trust market is now largely dominated by big institutional investors who traditionally move in and out of trusts in accordance with the level of discount.

Institutions may now be showing more selective interest in the sector but their tendency to "play the discount" is still likely to be a hazard for the small man.

It is probably wise therefore to concentrate on picking a good stock rather than banking on a further narrowing of the discount or napping the next takeover candidate.

Many of the specialist trusts have been rerated over the past 12 months but over the long-term these may still be the better bet.

## Too early to plunge

INVEST IN AMERICA — but not yet. Such is the view of London analysts of last week's Wall Street surge, which took the Dow Jones index up through the 900 mark to its highest level for 17 months.

The fragility of the American mini-boom was exposed by the tumble which the market took at the end of the week. The indications are that the year will see more gloom, says Mr. Bryan Baughan, analyst with stockbroker Hoare Govett.

"We're looking for a weakness in the dollar, and moves in the economy to strengthen the dollar, leading to a fall in the equity market," he says.

Mr. Brendan Brown, currency economist at Amex Bank, agrees. "My view is a pessimistic one. There are a number of special factors which equities are going to profit-taking on gold is going into equities, plus the strengths of energy and armaments. Our view is that the recession will come in the second or third quarter," he says.

For the British private investor, a move into U.S. equities would probably mean taking money out of their UK counterpart. The UK market is surprisingly buoyant, despite the damaging industrial effects of dear money and a strong pound, and investors with a good spread of domestic equity holdings through unit trusts are comfortably placed.

Nonetheless, there are good reasons for looking to an opportunity for diversification into a foreign market. Such a "safety play" gives a degree of protection against an abrupt downturn in any one country.

The U.S. is attractive in this respect although few look to a dollar for export appreciation prospects. American industry

is well supported by domestic resources and markets, giving a certain resilience in times of recession.

For the investor seeking security rather than opportunities for active investment, a holding of perhaps 20 per cent of portfolio funds in U.S.-investing unit trusts is recommended by one City analyst. According to the magazine Planned Savings, the top four specialist U.S. unit trusts over the last three years were: GT U.S. and General M. and G. American, Allied Hambro Securities of America and Gartmore American.

Approached with the correct alloy of caution and adventure investing in the U.S. through an investment trust could also prove rewarding. Now free from the dollar premium, and finally all exchange controls, their managers can no longer find themselves immobilised by investment apparatus. There should be more flexibility, and fewer of the badly-calculated foreign currency borrowings which have done so much damage in the past.

The big question of course, is one of timing. The U.S. recession has been rolled back for many months now, and some even look to a war-footed economy to roll it away altogether. But even that unlikely situation would not fundamentally benefit equities, since it would tend to lead to higher inflation, tighter money supply controls, higher interest rates, and lower equity prices.

There is the possibility that the uncomfortably fragile strength of both sterling and the UK stock market could give way in the mean time. But barring that eventuality, the U.S. should provide attractive buying opportunities in the latter part of this year.

Robert Cottrell

Tim Dickson

## When plain English is too plain

"THE MAJORITY of people find legal documents very difficult to understand, and if a document is worded in an obscure way, will tend not to read it. I am well aware of the difficulties of putting into simple terms the meaning and effect of legal language. There is always the risk that simplification will distort rather than clarify."

These are the words of Mr. Gordon Borrie, Director General of Fair Trading, at a lunchtime talk in the City recently. He was talking to insurers, about insurance, though the words I have quoted are surely as apposite to car hire contracts, television rental contracts, property leases, to name but a few. In all such contracts, and in all other contracts, and in the supply of services, there is a need for verbal precision, exactly to delimit the rights and liabilities of the parties: such precision should not result in obscurity, but undoubtedly makes for more difficult reading for the layman than do the columns of one of the "better quality tabloids," whose English was commended by Mr. Borrie.

But such English is all too often imprecise — and lack of precision in an insurance contract must cost insurers money because of the "contra proferentem" rule — the rule that says that where the words used can have more than one interpretation, there the policyholder must be given the benefit of that interpretation most favourable to his claim.

So before any of us go too far in supporting Mr. Borrie's

pleas for simplification, let us pause and remember who ultimately must pay for any imprecision that simplification involves.

It will not be insurers, whose margins in personal lines business are insufficient to accommodate extra claims costs.

## INSURANCE

JOHN PHILIP

but you and I, the policyholders, who will have to pay more premium to enable insurers to meet any extra claims.

Since the beginning of the year, two major composite insurers, General Accident and Phoenix, have each introduced new home contracts employing for the most part the kind of simple wording that Mr. Borrie advocates. Both insurers provide with the policy further explanatory material — commentary, diagrams and so on, hoping to remove any uncertainties that exist in the policyholder's mind. All credit to them for their efforts.

Both insurers declare that this explanatory material is not part of the policy — but in each case it is so closely interlinked that the courts might well take this explanatory material into account in interpreting any disputed words.

With all respect to the policy draftsmen, does not the very existence of this extra explanatory material call in question the effectiveness of their work on their basic policy wordings?



## Pocketful of rye

COMMENTATORS ARE predictably singing a song of sixpence, after an announcement in Parliament this week that they will cease to be legal tender from the end of June. The development effectively hammers a final nail into the coffin of pre-decimalisation coinage.

Coin collectors however, should not be influenced by the wave of nostalgia and will be better advised to keep their minds on "a pocketful of rye." This sums up the value (and likely future value) of most of the once familiar coins.

The sixpence admittedly has a long and distinguished history. First minted in pure silver in 1551, it continued to be made in this form until 1919, after which time the metal was changed to copper. Since 1946 all sixpences have been struck in cupro nickel (the alloy used in all UK circulating coin) though no new ones have been made since decimalisation day in February 1971.

Coin enthusiasts, hoarders and indeed anyone who possesses a tanner or two now have until June 30 to hand them in and receive in exchange the decimal value of 2½p each. In most cases they should take the opportunity to do just this. The Treasury estimates that around 200m sixpences are still in circulation.

Undoubtedly sixpences minted since 1946 are as they say two pennies but only those produced before that year which are in excellent condition will command a significant premium over their face value.

Mr. Mark Rasmussen, a coin expert at Spink and Son, said: "It is a waste of time hoarding sixpences. There are very few rare 20th-century coins and just about anything in circulation would almost certainly be cupro nickel."

Given the present price of silver, it is not surprising that some of those who haven't been keeping their pre-1946 sixpences have instead been melting them down. Just in case you are planning to pop your collection into a teapot, however, do remember that this is strictly a criminal offence.

The theory is that the poor old taxpayer who paid for the coins to be minted in the first place should benefit from any profit arising from their use later.

This legal restraint has obviously not deterred a number of operators who apparently spend much of their spare time sorting through hundreds of sixpences picked up at their local bank. This is apparently so widespread that in an effort to discourage the treasure hunters banks have taken to passing round their dud bags from branch to branch.

Are we now heading for the day when a legal document is virtually indistinguishable from a scrap of paper?

Clarity is of the essence, and no insurer wants to perpetuate the kind of language beloved of Dickensian petty fogging conveyancers. But the majority of insurers have swept away "whereas" and "heretofore" and other similar phraseology, have stopped writing complicated clauses with double negatives, with exclusion built into exclusion.

Layouts have been changed, and most of the often criticised small print has been banished. This may be condemned as the process of gradualism, but if you compare a modern policy with one issued even ten years ago the difference is obvious.

As I have said, insurers need precision, the public needs clarity: these needs are not incompatible — but the old proverb "more haste less speed" is one that the draftsmen need to remember.

## Paying for the old school tie

PRIVATE EDUCATION costs continue to soar. Fees at some top boarding schools now exceed £1,000 a term — that's £3,000 a year — and some schools are even reluctant to quote parents an annual rate.

But the idea that private education is only for the rich is disputed by Parkdale Management Services, the latest company to offer a school fee advisory service. It has just launched a low-start fees plan which it claims will bring

The theory is that the father's earnings will rise each year, with promotion and with salary inflation to keep pace with the rising premiums. With the normal level premium schemes, the father may find it a financial strain to meet the initial costs. Take, for example, a father aged 33 saving for fees due to start in 10 years' time. Assuming inflation averaging 10 per cent over the next 15 years, the current annual fees of £3,000 will be £7,781 in 10 years' time and £11,392 in 14 years.

The Parkdale Plan consists of five separate low-start with-profit policies with L and G. The estimated maturity value on current bonus rates produce the required amounts to cover the cost of the fees. The premium is £101.35 net monthly in the first year, rising steadily to £202.70 in the sixth and subsequent years until the first policy matures. Afterwards, the premiums drop each year.

The initial death cover is boosted by adding decreasing term assurance contracts, to cover any shortfall should the father die in the early years. For comparison's sake, the level monthly premium on a conventional plan needed to provide the sums in the above illustration would be £180, dropping after the 10th year. Parkdale's scheme, incidentally, is not new even though in its publicity material it uses

## SCHOOL FEES

ERIC SHORT

private education within the reach of many more families.

The first point to remember is that parents wishing to participate in this type of scheme need to start saving early, at least 10 years before the fees are required.

This often means that the father is comparatively young when he starts to save and the amount that he can afford to put by is limited. The Parkdale plan offers high death cover and final benefits but it is structured so that the premiums are comparatively low in the first year and rising each year to a maximum after five years. The scheme is based on Legal and General's low cost with-profit plans.

who failed to meet the February 6 call for the 213p outstanding on November's partly paid issue, then hurry up.

Interest on the unpaid balance is clocking up at 23 per cent and if you hang around too long you could conceivably forfeit the original 150p per share which you subscribed. You should send your cheque to the appropriate receiving bank on the original application. If it is any encouragement BP share have been moving smartly ahead and last night stood at 385p, a tidy 48p above the Government's offer price.

## IN BRIEF

this before the 19th issue's arrival on February 4.

The 19th issue, which returns 10.33 per cent tax free over five years, is highly attractive to high rate taxpayers and tempting to those on the basic rate. Remember that you are allowed up to £1,500 of the new certificates, regardless of holdings in any previous issue.

SOME INVESTORS apparently did not make it to their bank on time. If you are one of the handful of BP shareholders



Eton higher fees?

that "overworked word" "unique." The other established specialists in this field, C. Howard and School Fees Insurance Agency, both offer low start plans. SFIA not only uses the Legal and General low-cost plans, but has designed plans using with-profit contracts of other life companies such as Friends' Provident.

Decreasing term cover is also employed. With this approach the monthly premium in the first year is £36.48 rising to £221.31 after five years. Under the Howard low-cost scheme the premium starts at £82 a month and rises steadily as circumstances permit.

Current Annuity Rates available on an investment of £10,000			
Man aged 65		Woman aged 65	
Company	Annuity	Company	Annuity
RNPFM*	1,846	RNPFM*	1,581
Sandell	1,816	Sandell	1,581
Norwich Life	1,793	Norwich Union	1,563
Royal	1,793	Sun Alliance	1,548
Norwich Union	1,781	Royal	1,547
National Empl. Life	1,777	London Life	1,540

\* Not available to the public.

Source: Planned Savings Rate Guide

## Get ready to act

MINIMUM Lending Rate remains at 17 per cent and if the market is proved right, the Government will not bring it down until well after the Budget. Investors considering buying an annuity, nevertheless, should watch interest rates carefully and be prepared to act quickly. Otherwise they will miss attractive offers now available.

The performance of annuities since the start of the year illustrates how volatile top rates are at the moment. Yields of 10 year gilts in January moved lower in anticipation of a cut in M.L.R. But when it became apparent there would be no early cut in M.L.R. yields went back to their original levels.

Life company actuaries tend to wait before changing their annuity rates to take advantage of higher interest rates. Unfortunately for investors, this happens when interest rates are rising than when they are falling. If the actuary is

slow to change his rates when interest rates are rising, he may lose business but he will not lose money.

If he is slow when interest rates are falling, he will do plenty of business and lose money as a result. Hence his reactions are quicker with interest rates likely to fall, especially as annuity quotations are held for at least a week — these days a long time in the gilt market.

Annuity rates appear stable at present but they could be cut without warning. The more cautious investor should buy now particularly the self-employed nearing retirement.

They should remember that they do not have to stop work in order to draw a pension from their life contract.

The only condition is that they have reached age 60.

Eric Short

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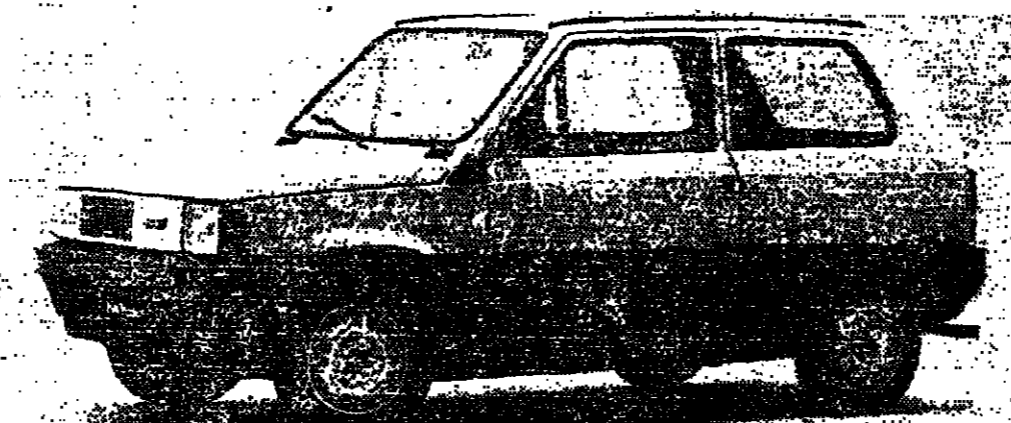
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## MOTORING/TRAVEL



Practical, but not unbeautiful. The Fiat Panda '85 manages to look attractive despite its simple body shape and flat glass windscreen. Its bumpers are shock absorbent and the plastic coated sides, scrape resistant. The front-drive 903 cc power pack is from the Fiat 127.

## Trendy small workhorse

BY STUART MARSHALL

IN ITALY last week I drove what will undoubtedly be one of the three trendiest small cars of 1980. The other two are the front-wheel drive Ford Escort replacement until recently codenamed Erica, and the Mini Metro. This one is the Panda, and it is the first on the scene.

Rumour had it that this latest baby Fiat was to have been called the Rustica. Luckily, someone pointed out that while it might have a certain charm in Italian, its connotations in English were hilarious and potentially damaging. So Panda it became.

It is an addition to Fiat's small car range. The Panda is larger than the 126, which continues to provide ideal city centre transport for buyers who value its sub-miniature size and care little for its lack of interior space.

Even though the 11 ft 1 in Panda is 10 ins shorter than the Fiat 127, whose 903 cc engine and four-speed gearbox it shares, it will hold five adults. But it is more than just a passenger car. Fiat says it fulfils a multi-functional role. By this it means that by fiddling with the seats you can convert the rear into a hammock for a young child, or remove it altogether and carry the tools of your trade, half-a-dozen hounds or some bales of hay. Together, front and rear seats can be folded to become a double bed.

In essence, the Panda combines the virtues of a city car—it felt very much at home in Rome's rush hour, which makes London's seem a gentle, well-mannered affair—and a bucolic maid-of-all-work like the Renault 5.

And it looks nice, too. Bodywork designer Giugiaro, of Volkswagen Scirocco and Lancia

Delta fame, saw to that. Yet it is also exceedingly practical and easy (which means cheap) to produce. The body panels are of simple though not inelegant shape: the glass is all flat, even the windscreen; the bumpers are of shock-absorbing plastic, like the Fiat Strada's; and the sides are protected from minor assault by an extremely tough plastic coating, said to be ten times more abrasion-resistant than paint.

How does the Panda go? Here I find myself in some difficulty. The Panda's existence has been an open secret for some months. Just before Christmas, Fiat leaked a few particulars—and my picture—because certain Italian motor magazines had let the cat out of the bag. One is even alleged to have "borrowed" a Panda that Fiat was testing while the driver was taking refreshment. They returned it half an hour later, having minutely examined it and photographed it from every angle.

Whether the story is true or not I cannot say. But the fact remains that a magazine I bought on a Turin bookstall in December had a ten-page, fully

illustrated description of the Panda, cut-away drawings included.

However, the journalists from all over Europe who were Fiat's guests in Rome last week were required to observe an embargo on publishing further official details, driving impressions included, until tomorrow. So the Sunday papers here and abroad can honourably say at this moment is that the Panda, as might be expected of a car that is powered by the 127's engine but is smaller and lighter, goes very well indeed.

Nor is it unrefined. Even at the 140 km/h (87 mph) maximum Fiat has officially admitted to the Panda was not frantic though clearly hard worked. Fuel consumption should be unusually good. Fiat claims 45 miles per gallon at a steady 58 mph; in normal day-to-day use it could be around 40 mpg.

The Panda goes on the market first in Italy, then in France and Germany. It will be at the Birmingham Motor Show this October and in British showrooms next year.

## Look! no dent

THOSE GREAT plastic bumpers on the Saab 900 may look like tubogut fenders, but just how money saving they can be I discovered by accident the other day.

I was driving through South London in a 900 GLS automatic when the car in front of me stopped. So did I, but the Alfa Romeo behind me didn't. There was the usual crunching thud and rattle of broken glass. I got out to discover that the Alfa Romeo had lost a

headlamp and that its grille was pushed in. A thin stream of antifreeze trickled from a burst radiator. It had to be towed away and the driver told me later that his repair bill would be about £300.

And the Saab? It was literally unmarked. It will be a black day for body repair shops when all cars have such strong and sensible bumpers, a good one for motorists who nowadays live in fear of losing no-claim bonuses.

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## Still inland water

BY PAUL MARTIN

ONE OF the enormous attractions of inland waterways is their insulation into countryside far from roads and all the nasty paraphernalia associated with them. Having graduated from the Oxford Canal to the Danube on a marathon, if eccentric, canoe venture last summer, I can confirm that this applies to waterways of all sizes.

There are stretches of the Danube more akin to the Amazon than Central Europe and, on a smaller scale, the same is true of the Cherwell Valley not many miles from this typewriter. Equally they may lead through the heart of Europe's finest cities, touch upon towns and villages firmly selected

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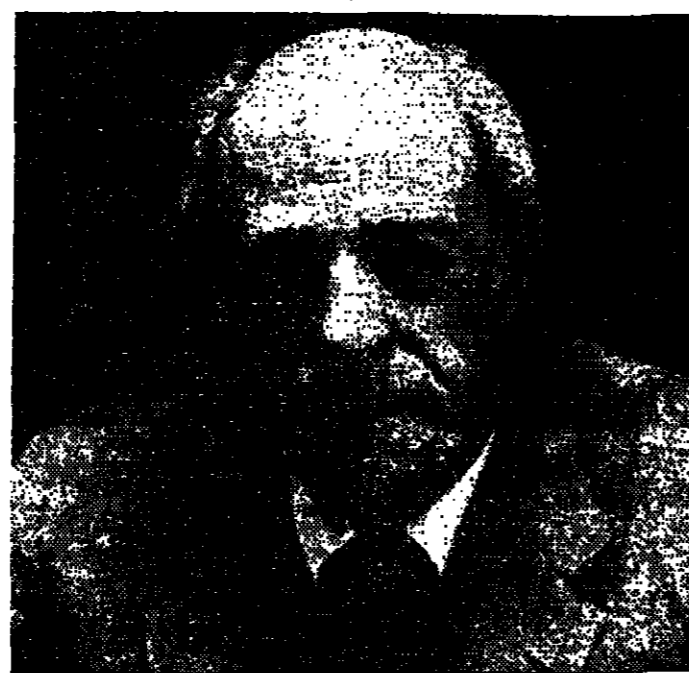
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Norman Podhoretz: shaking it

intelligent young. Almost any kind of Marxism, Moscow or Peking or heterodox, has some sort of intellectual structure. To many decent minds, a defective intellectual structure is better than none. It is hard for people to get inspired by social nihilism. It is even harder for them to be prepared to die for it.

Podhoretz has made, through his journal and his own writings, the most coherent rationale for late 20th century conservatism so far on record—that is, for conservatism in his own country and in Europe. He doesn't attempt to stretch further than that, but it is a brave attempt. He has got hurt in the process, since he is a sensitive man, but that doesn't stop him. He is, it doesn't need saying, highly intelligent. In the harsh struggle between Commentary and its chief antagonist, The New York Review of Books, Commentary has shown by far the greater weight of intellectual seriousness and power. They have had the advantage, which the other journal hasn't, of a firm place to stand.

Podhoretz is a remarkable achievement, much of it against the grain of our time, and he is a remarkable man. He is ambitious, and got into savage trouble for saying so. He is ambitious, first of all, for influence. It is the way in which young men of quality ought to be ambitious, and Podhoretz was

young when all this started. Most English readers will find warnings applicable to contemporary Britain in *Breaking Ranks*, especially in the campaigns that Commentary is fighting against the sillier items in the liberal package deal. Some of these, probably most of them, are going to blow eastwards towards us. Such as the concept of quotas, in the special sense of quotas of disadvantaged students at universities, that is the admission of students who can't reach ordinary standards, in the benevolent hope that they will catch up, and in the process keep out a comparable number of students demonstrably able to cope. Very few well-meaning procedures are more indefensible and could be more destructive.

One weakness of Commentary, as of its opponents and of nearly all American political thinking, is its mixture of ignorance and complacency about military affairs. We live in a world of Realpolitik. This is determined by military strength—often in the here-and-now, not potential strength, to be realised in the hereafter. With a few exceptions, such as Morgenthau and Laqueur, the Commentary writers are innocent about such considerations—except when they get the doctrinal struggles satisfactorily settled. America can bank in secure solitude unique on the planet. This blandness may not frighten their fellow Americans, but by God it frightens me.

## Fiction

## Country wives

BY ISOBEL MURRAY

## Puffball

by Fay Weldon. Hodder and Stoughton. £5.95, 266 pages

## Wild Oats

by Jacob Epstein. Seeker and Warburg. £5.90, 267 pages

## Fitzgibbon's Law

by Diana Norman. Hodder and Stoughton. £5.95, 284 pages

## HOW TO SPEND IT

## THIS IS THE KITCHEN THAT CHRISTINE BUILT

SINCE the New Year I have been the smug possessor of a fitted kitchen equipped with every kind of convenience, designed to my height and needs. My friends are bored to death with having to swallow their envy and admire every detail. My bank manager is still winking at the cost. And I can hardly believe that it is now complete—more than 12 months of work went into it.

Of course banquets can be produced on a camping stove and a Dutch oven by the light of a candle—I've managed some pretty creditable efforts myself under such conditions. But not day in and out. Nothing is so guaranteed to drive a housewife into an early grave than battling with fatigue and injury in an inconvenient, ill-fitting kitchen.

When I moved into my new flat over two years ago I inherited just such a battlefield. To be sure the view of the Thames from the window was a major consolation but there was nothing else about the kitchen to recommend it.

No improvements had been made to it since the 1920s, as far as I could judge, when the old closed range had been pulled out of the chimney and a gas cooker stuffed into the dark, cramped hole.

## Hang the expense

Monstrous three-foot deep cupboards lined the main wall up to the 12 foot ceiling.

There was no working surface at all apart from the kitchen table which occupied most of the floor space and made even breakfast a game of "round and round the mulberry bush."

One day, while squinting into a saucepan in the gloom of the fireplace I cracked. The glossy magazines beckoned. I would have a brand new fitted kitchen and hang the expense. I whipped out a tape measure and discovered that from wall to wall I had a room nearly 12 feet square. More than enough for a dream kitchen.

A couple of months later, after surveying the initial cost of six commercial systems, culled from the mountain of brochures and articles I had collected, I was reeling. The prices ranged from £3,000 to £7,000 and cost apart, none of them would have given me what I wanted. I tried to remind myself that banquets can be produced.

But by then the bit was between my teeth. The bank manager had said I could have £4,000 and it would add to the value of the flat everyone agreed.

Then came the real snag. My kitchen, as the sign over the front door of the mansion block of flats proudly pointed out, had been built in 1903. Not only were the walls not straight any longer (a feature of age rather than design) but I have

my doubts about the architect. Only one wall was straight forward—it had the cupboards. The window wall was shaped like two-thirds of a bay window. The fire place wall boasted three odd-shaped alcoves of different sizes and the massive chimney breast which couldn't be removed without threatening the stability of the structure. The last wall included the door.

I called in two professional kitchen designers after driving myself nearly mad with splayed paper and slips of scaled down cardboard representing worktops, cookers, dishwashers and so on.

Each of them exuded confidence. Their modular units were infinitely flexible they told me. My odd corners, alcoves and very "unmodular" wall lengths would present no problems. Perhaps I wouldn't be able to fit in all the items I wanted, like a double sink, separate roasterie grill, sitting area, but it would be a dream kitchen.

However, when their plans materialised "nightmare" was closer to the accurate description. Both of them had simply squared off my odd but by now endearing angles, filled in the non-modular lengths with blank ends and added some attractive looking but unreachable corner shelves to fill in the gaps.

And the price! The fancy German-designed oak-fronted range as supplied by one of the most prestigious kitchen planning firms would have cost me £3,600 to deliver to site, not including basic fittings such as sinks and with a worktop which would then have to be tiled at separate cost. Carpentry, plumbing and electrical work would also have been extra.

The second quotation—in solid pine but from another well-known Swedish-sounding British firm which boasted that its prices were well below any of the foreign competitors, was just over £3,000. Again fitting and appliances would have been extra.

But the real disappointment was that neither made real use of the space in my kitchen. It began to sink in that modular units and 1903 buildings just didn't match. With a sinking heart I went back to my squared paper and my doodlings.

At that point I had a stroke of luck. A cousin of mine, a former town planner, now turned cabinet maker worked for a small firm of furniture designers, Pearl Dot Furniture Workshops of 2, Roman Way, London N7, whose work has been featured previously on this page. They occasionally made kitchen units for an outside designer, my cousin said, every piece custom-built to the space required.

More out of hope than belief that I could afford it I sub-



Above is the window seat curving under the odd bay window that Christine Moir wanted so badly and that none of the modular systems allowed for. Right, Christine in a corner of her kitchen showing the finely made wooden cupboards, planned to cope with all the strange measurements that were part of the 1903 kitchen's charm.

mitted my 'designs, which included gutting the kitchen completely, moving the door, cutting a hole in an outside wall for an extractor fan and turning the old fireplace into a larger (an excellent idea as it transpired because the ventilation up the chimney is so effective). I also wanted a window seat to curve round the odd bay window and special cupboards in the unequal recesses on either side of the chimney.

## Final drawings

Finalising the working drawings was tedious and time consuming. And I was lucky that my cousin could recommend a two-man building firm to do the fitting. But the end result repaid the effort. So did the price.

Pearl Dot supplied the units—faced in solid pine and with the carcasses made in melamine-faced chipboard (light and hygienic) built by another sub-contractor—for just under £2,000. What is more, there was no VAT—under the curious regulations covering building works the units were "zero-rated." The two professional firms had simply added VAT at the standard rate because their trading method meant that their pieces qualified as furniture.

The quotation from the builders added another £1,450 including moving the door, carrying out the bulk of the demolition and installing a battery of lights and electrical points.

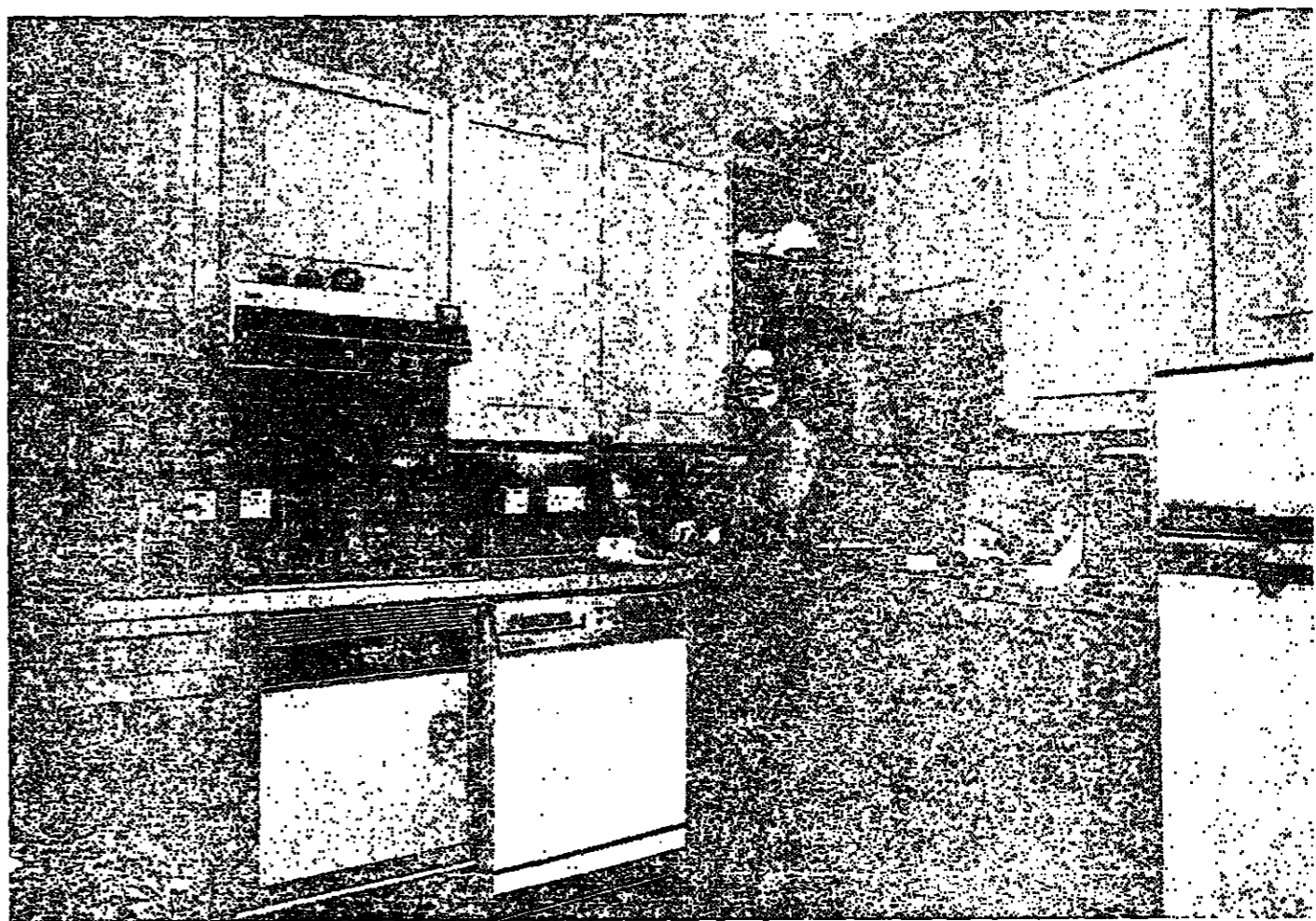
Almost more importantly they

took only three weeks over the job and ran over their budget by only £100 despite the obstacles of ancient plaster which fell off in chunks and the obduracy of those mad angles. The units fitted also—precisely. The only hitch was when some of the drawer fronts had to be sent back to be trimmed down and that held things up by no more than a couple of days.

Of course that wasn't the end of the expense. I needed all new appliances—a dishwasher, double sinks (and mixer taps don't come cheap), fridge, freezer, split level hob and "under-slung oven," cooker hood and that roasterie grill. There were curtains and cushions to fit the specially-shaped window seat, vinyl flooring and the decoration. All those I managed myself. There were also the tiles for the work surface and splashbacks—I chose glazed ceramic floor tiles, not cheap but already proving their superiority over plastic laminate for cutting on or putting dishes onto straight from the oven.

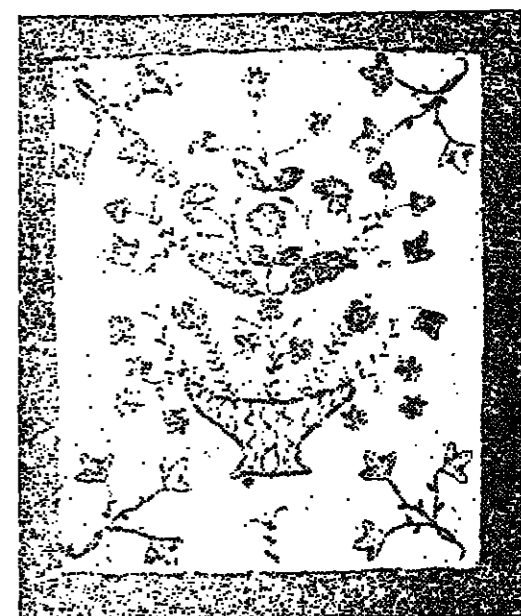
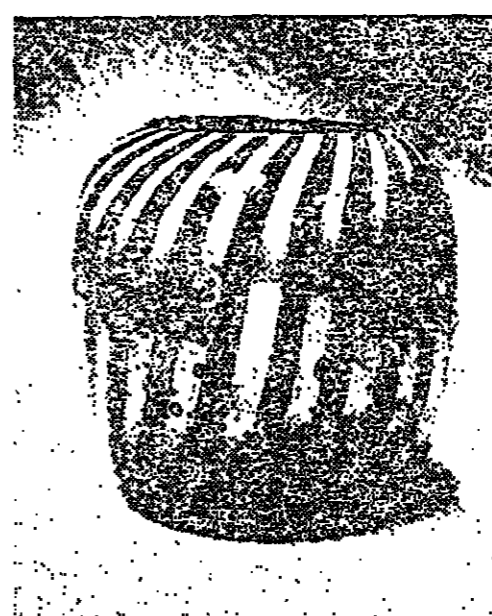
All in all my accounts books tell me I spent £4,700. My bank manager is still wincing. But the kitchen is even more efficient than I believed possible. There is room to entertain four people without having them underfoot as I work. And the character of the room has been preserved. Even had I been prepared to pay 50 per cent more, the much-vaunted modular kitchen ranges from the commercial outlets which fill the glossy magazines would only have been a poor approximation.

Christine Moir



Picture by Jijer

## EXHIBITIONISM



Left, Heikki Orvola's vase and right, detail from Irish applique quilt

EXHIBITIONS are wonderful places to revitalise the visual senses, to gain a new perspective and to enable one, perhaps, to look at one's own home in a more creative, adventurous way. There are currently two exhibitions which are quite different in everything except their quality and their charm. Firstly, the Sunderland Arts Centre has sponsored a tour of Finnish glass, produced by artists and craftsmen who believe in glass as a medium through which they can express their ideas. Interestingly, this highly individual glass has been produced in a factory and not in a small workshop where the artist is also the craftsman. An exceptionally close working relationship between designer/artist and craftsman is essential for this collaboration to work but this is part of the tradition of Finnish glass.

The exhibition is currently at the City Museum and Art Gallery in Stoke-on-Trent. On March 17 it goes to Nottingham, then to the Bolton Museum and Art Gallery and on to other museums all over the country. Do see it if you can. Heikki Orvola's vase, right, gives a small clue to

the quality of the exhibits. Very gentle, almost pastoral in tone, is the small but charming collection of Irish patchworks on show at Somerset House, Strand, London WC2, until March 15. Found in the attics and homes of the

people of Ireland is this varied and fascinating collection of the homely art of patchwork. If you're making a quilt yourself do go along—you'll be encouraged to see what one 14-year-old made from penny bags of red and white cotton

off-cuts, sewn together by candlelight in the family farmhouse.

The entrance fee is £1 and the informative catalogue illustrating each quilt in colour is well worth its £3.

## CHESS

LEONARD BARDEN

SINCE Bobby Fischer dropped out of international chess after beating Spassky, young American players have lived in his shadow and have suffered from comparison with the ex-champion. Some, such as the talented grandmaster Ken Rogoff, became so disillusioned by the post-Fischer hangover that they virtually dropped out of major tournament play.

Signs that a new U.S. generation was emerging which might contend successfully with the Russians have appeared in the last year or two in New York and California. Michael Rohde, 20, won an international in New York with a grandmaster result, Joel Benjamin, now 15, won the Manhattan championship at a younger age than Fischer, and most of all American chess can look to the impressive results of 19-year-old Yasser Seirawan, of Seattle, the reigning junior world champion.

It was evident in the later rounds at Hastings that Seirawan was hushbanding his strength for the Hoogoven tournament at Wijk aan Zee in Holland which began immediately after Hastings ended. How well he did so is shown by his remarkable victory there: he took the

lead from the start, beat Korchnoi in the second round, achieved the grandmaster score with three rounds to spare, and, easing up with draws at the finish, tied for first prize with the former U.S. champion Browne.

Scores were Seirawan and Browne (both U.S.) 10 out of 12, Korchnoi (Switzerland) 8, Blyuss and Alburt (both U.S.) and Timman (Netherlands) 7, Ree (Netherlands) and Byrnes (U.S.) 6, Sunye (Brazil) 6, and five others. Due to the clash with the European team finals, several countries were not represented at Wijk, but this was still a powerful tournament ranked category 11 (one above Hastings).

The U.S. Chess Federation will probably nominate Seirawan for grandmaster. He has played only 22 of the stipulated 24 games at this level but the extra margin over the norm at Wijk will count in his favour. Seirawan's win over Korchnoi showed his strengths: forceful opening play, attacking flair, and precision in calculation. The great Viktor never gets into the game.

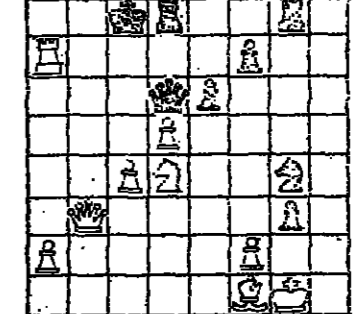
White: Y. Seirawan (U.S.). Black: V. Korchnoi (Switzerland). Opening: English (Wijk aan Zee 1980). 1 P-Q4, N-KB3; 2 N-QB3, P-K3; 3 P-K4, P-Q4; 4 P-K5, P-Q5; 5 P-N3, P-N3; 6 N-P2, Q-BP; 7 P-Q4, P-B4. By the highest standards, opening theory is one of Korchnoi's

weak points. John Watson's book English 1... N-KB3 Systems diagnoses P-QN3 as better. 8 N-KB3, P-KR3; 9 B-Q3! Intending the sacrifice 9... N-B3; 10 Q-Q4 with active piece play for the pawn.

9... N-P2; 10 P-P2, B-N5 ch; 11 K-B1; N-B3; 12 B-N2, B-B4 (varying from the book Q-Q4 but not detecting White from his planned K-side attack); 13 B-B2, Q-Q4; 14 Q-Q3, R-Q1; 15 R-Q1, K-B1; 16 Q-K4, B-Q3; 17 P-KR3; (with ideas of P-RN4-S, N-N6, or P-R5 and R-R4); Q-B4; 18 Q-K2, Q-QR4; 19 B-N3, N-K2.

POSITION No. 307

BLACK (8 men)



WHITE (9 men)

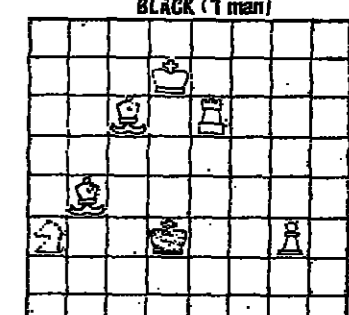
Spassky v. Larsen, Buenos Aires 1979. Spassky sacrificed to reach this position and now threatens Q-N7 mate or R-R5 ch. Has Larsen (Black to move) sufficient counter on the other flank, and how would you advise Black to continue?

20 P-R5, P-QN3; 21 Q-K4, B-R2; 22 P-Q5! (the double pawn sacrifice opens up all the lines against the black king). P-P2; 23 Q-R7, P-B5; 24 K-N1, B-P3; 25 R-R4! B-B2; 26 P-B4, K-B2; 27 R-KN4, R-KN1; 28 R-K1!

Threatening 29 B-P4, K-B3; 30 R-N6 ch, or if 28... Q-RQ1; 29 R-R1RP, 28... P-Q5; 29 R-QP, B-N4; 30 R-Q7, Q-R ch (hoping to fight on with rook, bishop and pawn against queen, but the attack proves too strong); 31 N-Q2, B-B2; 32 N-Q3, B-R6; 33 N-B4, R-RQ1; 34 Q-N6 ch, K-N1; 35 Q-Q3, B-R3; 36 Q-R4, R-QB1; 37 K-R2, K-B2; 38 N-N6, R-OR1; 39 N-N5, Resigns (B-KN1; 40 Q-Q5 ch).

PROBLEM No. 307

BLACK (1 man)



WHITE (6 men)

White mates in three moves against any defence (by G. Glass).

Solutions Page 12

## BRIDGE

E. P. C. COTTER

HERE ARE two hands from rubber bridge which were misplayed. The first example illustrates a mistake which I have seen made on numerous occasions:

N  
♠ K4  
♥ A1085  
♦ K864  
♣ A107  
W  
♠ 32  
♥ QJ642  
♦ A53  
♣ 865  
E  
♠ QJ109876  
♥ 7  
♦ 92  
♣ K43  
S  
♠ A5  
♥ K93  
♦ QJ107  
♣ J92

North dealt at game to North-South and bid one heart; East overcalled with three spades. Pre-emption after one opponent has made a positive bid

loses much of its effectiveness, but it did cause South a problem. He had to take some kind of action, and after some thought he said three no trumps, which became the final contract.

West led the spade three, taken in hand by the Ace. Clearly both minor suits had to be developed, and declarer decided to start with diamonds to get out "the inescapable loser." West took his Ace at once and returned his other spade to clear his partner's suit. South cashed the rest of his diamonds and the Ace and King of hearts. He then finessed the club Queen and went down.

The declarer did not think things out. East, marked by his bid and by West's lead with at least seven spades, might have the diamond Ace or the club King, but not both. Therefore, the correct play is to take the club finesse into the East hand before touching diamonds. East may win and clear the spades, but when West obtains the lead with the diamond Ace, he will not be able to prevent South from making ten tricks.

Incidentally, South can recover from his mistake. When West has won with his Ace of diamonds and leads a second spade, South should lead the heart five and finesse the nine in hand. West wins and returns a club, but South refuses the finesse, takes dummy's Ace, runs the rest of the diamonds, East cashes the heart King. Then the marked finesse, against West's Queen gives him nine tricks.

This hand was dealt by South with both sides vulnerable:

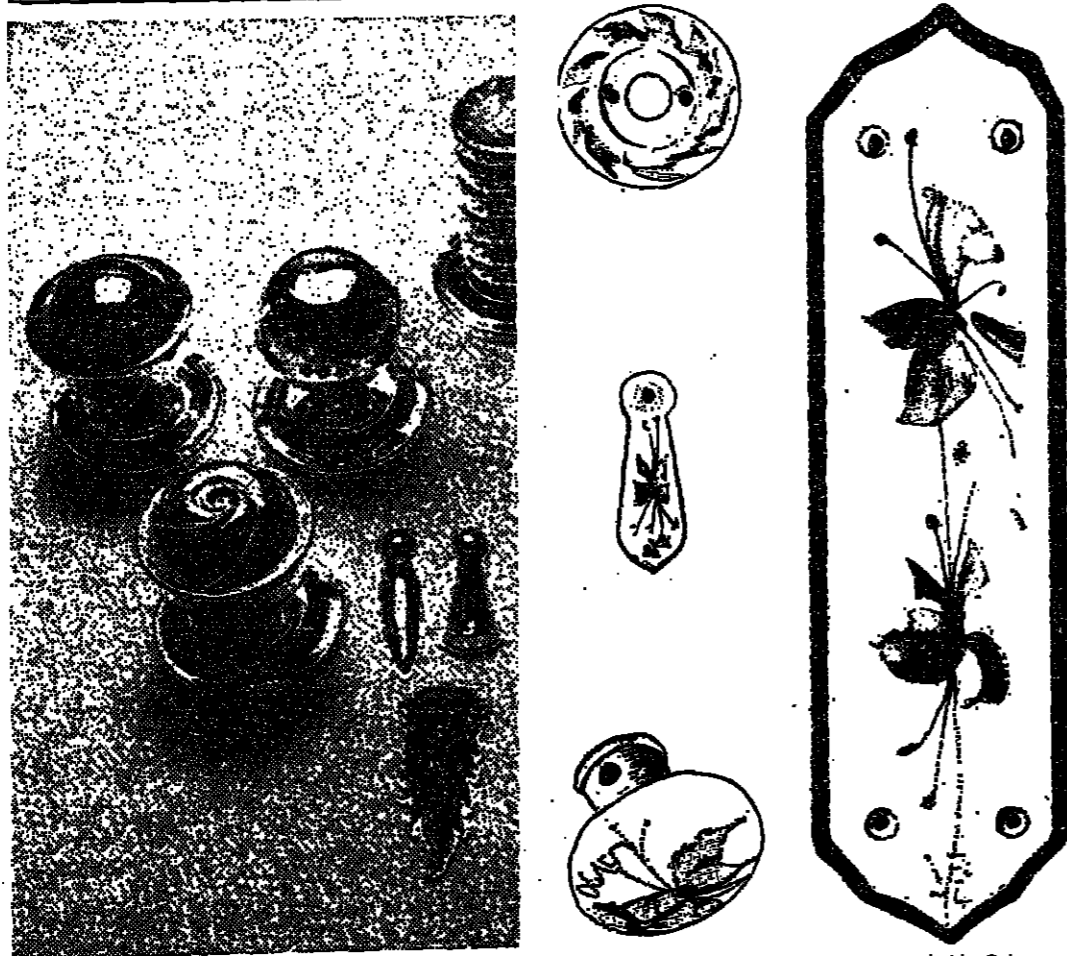
N  
♠ A J 10 7  
♥ A Q 5 4  
♦ J 3 2  
♣ J 7  
W  
♠ 6 5 4  
♥ 10 9 2  
♦ 10 9 5 3  
♣ 10 9 5 3  
E  
♠ K Q 9 8  
♥ K J 7  
♦ 8 6 4  
♣ Q 5 4  
S  
♠ 8 2  
♥ 8 6 3  
♦ A K Q 7  
♣ A K 6 2

South bid one diamond. North said one heart, and over South's rebid of two clubs said two

spades, a responder's reverse which is forcing. Not ashamed of his hand, South bid three no trumps.

West led the six of spades, and dummy's ten lost to the Queen. East returned the diamond six, South cashed Knave and Queen, and finessed the spade Knave, losing to the King. East led another diamond, South cashed Ace and King, throwing a heart from the table and finessed the heart Queen. East won and sent back the Knave, and now declarer was faced with defeat—not an impressive performance.

I saw a neat way of making the contract. South wins the second trick with the Queen of diamonds, and leads the two of clubs. If West has the Queen, there is no further problem. As it is, East wins with the Queen, and leads another diamond. South cashes three tricks in the suit, and plays off Ace and King of clubs. Now he runs the eight of spades, and East is endplayed. He must return a heart or a spade, in either case giving South his ninth trick.



Robin Cole

## HANDLED WITH CARE

ANYBODY looking for door furniture to smarten up their house is spoilt for choice. From Beardmore's at the top end of the market with their fine brass reproductions to the simple blue and white French-style numbers from Habitat, the selection is huge.

However, nobody has made a bigger contribution to enlarging most people's choice than Knobs & Knockers which has not only persuaded many small companies to produce a larger selection of door furniture but has also recently started a mail order service for those not within reach of any of its outlets.

The latest offering is distinctly up-market, for people whose houses need that special

finishing touch or who fancy playing the silver investment market while at the same time putting the silver to practical use—yes, you've guessed it, there are now solid silver ball-marked door accessories.

The Burlington Collection, as the group photographed above left is called, has been designed and made by the silversmith Belinda Whyte. Prices, Knobs & Knockers warns, are variable, depending on the bullion markets, but at the moment the knobs range from £295 to £395, the escutcheons are £75, while the fingerplates are £285 for the plain version and £290 for the fluted. Don't forget to insure them or to take them off when you move house.

Orders should be placed with any of the Knobs & Knockers

outlets or in writing to Knobs & Knockers, 36-40 York Way, London, N1.

Now to something a little cheaper. A colleague discovered that Isabel J. Oscroft, of Jens Pots, Gallery No. 1, 56 Lyndington Road, London NW6 hand-paints porcelain door furniture and sells a complete set (porcelain knob, rose, escutcheon and finger plate) for only £8 plus VAT to personal shoppers. The design she uses is shown above right. If you like porcelain you might like to know that she also makes porcelain toilet roll holders, ring holders, towel rails and books. She will do a special design on ceramic tiles to go round sinks, for example, or in shower units, for about £50 a square yard. Contact her at the Gallery.





## FINANCIAL TIMES

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## Looking over the horizon

A WEEK WHICH brought some of the worst news that even shell-shocked British investors have heard for a long time ended fittingly yesterday with the plunge of 11.3 points in the FT Industrial Ordinary index and falls of up to 14 points in gilts, in response to the monetary tightening in the U.S. But looking at the week as a whole, the most remarkable aspect of the markets' behaviour was their resilience. Despite terrible wholesale and retail price figures, an unexpectedly large jump in the cost of raw materials, a string of disappointments on the labour front, continuing overshooting by the money supply, a sharp deterioration in the trade figures and, finally, a further monetary squeeze in the U.S., equity prices ended the week marginally higher than they began. If investors have been able to take all this with equanimity, it is hard to imagine what disasters they have not yet discounted.

## Inflation

When there is an almost total consensus in the markets about the immediate future, the only way for analysts and fund managers to earn their living is to start looking further and further ahead. As the markets move towards their traditional pre-Budget limbo, many investors are setting their sights on the horizon, rather than on the events going on immediately before their eyes. Some are stretching their imaginations beyond the horizon, and believe that they can detect the outlines of a future quite different from the one suggested by extrapolating current trends. That is presumably why the FT Index has gained 14 per cent in the past six weeks.

Certainly the prospective profitability of British companies in the next five years, provides no support for a bull market in equities. But in the recent spate of takeover bids companies have been valued on their assets, rather than on their earnings. As in America, the realisation that inflation will take years, if not decades, to combat, has given equities the edge over fixed-interest securities. There is talk again of the relationship between the yield gap, currently 7.8 per cent, and the long-term rate of inflation. With inflation now approaching 20 per cent and unlikely, even on the more optimistic forecasts to fall much below 15 per cent by the middle of 1981, the yield gap is seen as a support for equity prices.

Of course reconciling inflation at that level with a monetary target below 11 per cent for another year will be a daunting task. It may well produce further tensions in the money market which would cause real agony for industry—or require "smoothing operations". This is why the Confederation of British Industry's call for more tax cuts in the coming

Budget is surprising. It is only the fall in real output which is generally expected to occur this year that makes a decline in interest rates likely. If the government's deficit were increased either by output or interest rates would suffer. Nevertheless the bulls who are determined to look beyond these all too evident problems, have been finding some comfort in reinterpreting the uncertainties of the future. Even the week's dismal labour news items were found to have silver linings. The steel craftsmen rejected the 14 per cent pay deal which their negotiators had agreed. Sir Michael Edwards was defeated in the British Leyland ballot, and the water workers threatened to strike despite a 19 per cent pay offer. But there is evidence that the Government's determination to achieve a spread of pay settlements, in accordance with the prosperity of the relevant industries, is having some success.

On the international front, rumours and hints coming out of Iran have suggested that a solution to the hostage problem may be in sight. As the dollar strengthened and gold weakened slightly, it was possible for some equity investors to hope that a new period of tranquility in American relations with the oil producing nations might be round the corner. One of the reasons for Iran's softening line seems to be concern about the Soviet threat in Afghanistan, which the Arabs perceive as a change of heart by OPEC about the suitability of dollar assets, would not only help to check the rise in American interest rates, but might also take some of the upward pressure off sterling.

## North Sea

But the best reason for optimism, which British investors are now rediscovering for the third time in as many years, after delabouring it with their gloom for the past 12 months, is North Sea oil. As the period of full production from the North Sea draws closer analysts are looking more closely not just at the disappointing balance of payments effects, but also at the enormous financial benefits from the North Sea.

While the inefficiency of British industry and the propensity of British consumers to buy imports may dissipate many of the benefits of oil for the economy as a whole, it is becoming increasingly clear that the government will receive a very large income from the North Sea. A circular from Capel-Cure Myers this week predicted that North Sea revenues could exceed the non-oil RBR as early as 1983. With that sort of bonanza the predominantly monetary troubles which have largely preoccupied investors for the past few years could well disappear. But the problems of the real economy will remain.

INFLATION may be essentially a monetary disease but the last week has shown that trying to cure it primarily by monetary means is neither painless nor quick. The renewed surge in inflation has been highlighted both by the wholesale and retail price indices and by further big rises in commodity prices, contributing to greater pessimism about world inflation prospects generally. In the UK this has helped to fuel the demand for bank borrowing which has kept monetary growth above the official target rate of increase.

While we have all become accustomed to inflation—and retail prices last actually fell in one summer month 30 years ago—recent events are inevitably reminiscent of 1974-75. There are probably too many uncomfortable similarities for a Government whose economic strategy rests on a successful fight against inflation. In the mid-1970s the 12-month rate of increase of retail prices jumped from single figures to nearly 27 per cent in less than two years. This time the 12-month rate has jumped from 9.3 to 18.4 per cent in a year.

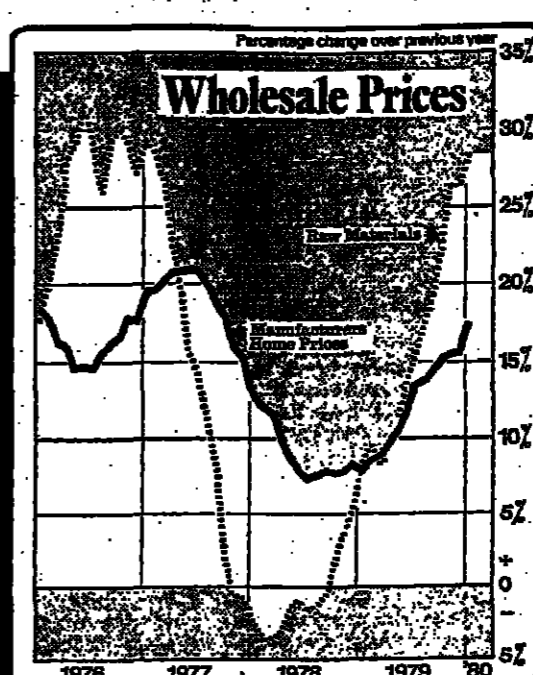
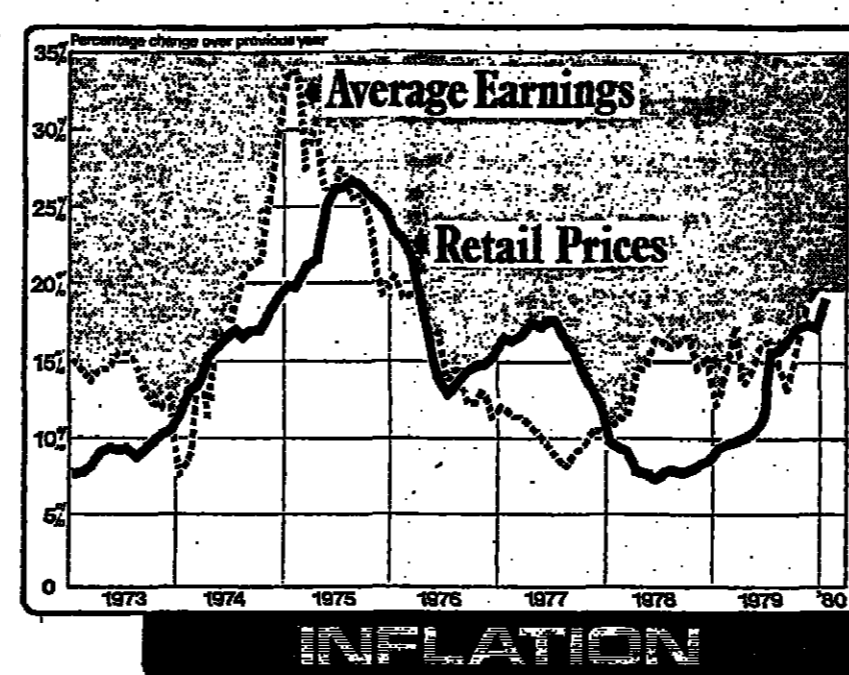
Yet the parallels cannot be taken too far. Current fears are much less than in the early months of 1975 when City commentators were pouring out studies of hyper-inflation based on the experiences of Weimar Germany and Latin America. This time the mood is calmer about the short-term prospects, though not noticeably optimistic about the chances of reducing the inflation rate to a low figure over the medium-term.

## Money supply growth

Many economists would lay a lot of blame for the 1974-75 price explosion on the rapid growth of the money supply in 1972-73. Indeed the rate of retail price inflation was already moving into double figures before the sharp rise in the price of oil and other commodities in the winter of 1973-74. The oil price increases made the position worse. From early 1974 onwards the UK's inflation rate accelerated to well above the international average, by the end of the year earnings were rising at an annual rate of over 30 per cent. The runaway inflation of this period reflected the catching-up of pay rises after the spectacular collapse of the Heath Administration's incomes policy and the big boost to wage bills from the statutory threshold agreements of the time.

In the past 12 months there has also been a sharp increase in oil and other commodity prices—resulting in a 27 per cent jump in the cost of manufacturing industry's raw materials and fuel. Moreover, a formal incomes policy has collapsed. But there the direct comparisons end.

The low point of the recent inflationary cycle was in the summer of 1978 when the



12-month rate of increase in retail prices was 7.4 per cent. This was probably artificially low, and showed the impact of the appreciation in sterling in 1977 (which kept import prices down), of a fall in seasonal food and commodity prices, and the effects of an earlier period of fairly tight pay restraint. But even then it was clear that the inflation rate was likely to rise again. Monetary growth had accelerated during the winter of 1977-78 and incomes policy had begun to break down in the private sector—as was reflected in an acceleration in the rate of increase of average earnings from 9 per cent to over 15 per cent between the summers of 1977 and 1978.

Consequently, the 12-month rate of retail price inflation rose steadily over the autumn and winter of 1978-79. The upward pressure has been reinforced by the sharp rise in oil prices—adding perhaps 21 percentage points to the index in the last year—and by the breakdown of pay policy in the public sector in the early months of last year. A further twist was added by the election because a number of public sector price rises were held back until after May. Similarly, the abolition of the Price Commission may have resulted in some catching up of price increases previously deferred.

Ironically, the biggest boost to inflation came from the Government's own actions. The increase in Value Added Tax and other measures in the June Budget directly added between 31 and 4 percentage points to the Retail Price Index; a point or two more may have come, indirectly, from higher public sector charges and rises in council house rents resulting from the squeeze on public spending.

To many observers the rise in VAT last summer was a major economic blunder since it significantly boosted the cost of living—on which pay

inflationary expectations. It is too early to assess the full damage but the move immediately, led to talk about a 20 per cent inflation rate, and wage claims also at the same level. Yet the subsequent acceleration has been small by comparison with 1974-75. Indeed the Confederation of British Industry claimed this week that an analysis of recent pay settlements suggested wide variations with an average level in the private sector broadly similar to that of last year. In the public sector pay bills, as opposed merely to basic wage settlements restrained within cash limits, have been boosted by the delayed impact of the awards of the Clegg Comparability Commission.

The latest official estimate is that earnings are growing at an underlying rate of about 18 per cent. While this is about 3 or 4 percentage points higher than a year ago and is obviously a move in the wrong direction, it does not represent nearly as unstable a situation as existed in early 1975. Then the average rate of growth of wages was accelerating sharply from one settlement to the next. But the level of settlements settled down quite sharply last autumn and not far below its present level; while the 12-month rate of earnings increase may climb during the spring it shows no signs of running away. Apart from the lessons learnt from the mid-1970s, one possible explanation is that the Labour Government's incomes policy broke down over a long period—roughly two years—rather than suddenly and hence the adjustment and catching-up of differentials has been spread out.

Another big difference with the mid-1970s has been in government policy, notably the existence of an official target for the rate of growth of the money supply since 1976. Although the record since then has been mixed, the threat of a substantial overshoot in

monetary growth has generally led to at least a partial tightening of credit. The main way in which a monetary squeeze has operated has been via the exchange rate. Moreover the impact of the rise in interest rates has been reinforced by sterling's special status as a petrocurrency at a time of rising North Sea oil production and soaring oil prices. The result has been an appreciation in the pound since January 1979, of nearly 14 per cent against the average of other leading currencies.

The rise in the pound has directly affected inflation by limiting the increase in import prices and so preventing an even faster rise in industry's raw materials costs than has actually occurred. The indirect impact of a high pound is less certain. The theory is that a rise in sterling—and hence an improvement in the competitive position of imports—will put pressure on the prices and profit margins of domestic producers who will then resist big wage claims and a virtuous circle of declining inflation will follow. The first part has happened since the prices charged for manufactured products have risen over the last six months at half the rate of increase of industry's raw material costs.

## Acceleration of earnings

These market pressures may have affected some private sector wage negotiations and limited the size of settlements. But the sceptics point out that market forces and a high pound have not prevented an acceleration in the overall rate of earnings growth, partly because of the rise in indirect taxes. The combination of higher pay bills, squeezed margins and excessive levels of stocks has created a continuing large demand for bank loans which has prevented

a reduction in monetary growth to within the target range.

Indeed this pressure, coupled with heavy sales of gilt-edged stock and seasonally large tax payments, has caused a severe shortage of liquidity in the money markets, which the Bank of England this week eased in the hope of preventing a rise in bank lending rates. This action was presented as a smoothing operation in response to it, is hoped, temporary factors, rather than a change of policy. But critics of the Bank have suggested that it represented an easing of the squeeze in the face of inflationary forces which threatened a politically unacceptable level of interest rates. The issue has now been deferred until the Budget on March 26. The general expectation is still that the next move in interest rates will be downwards, but most City analysts are now more cautious about the timing and scale of any change. In contrast to hopes last November that a 17 per cent Minimum Lending Rate would last for only a few weeks or a couple of months at most.

The inflationary surge highlighted by these monetary pressures is likely to mean a further rise in the 12-month rate of retail price inflation. Apart from higher oil prices and rising unit labour costs, the main influences are the widespread increases in various public sector services—gas, coal, electricity, telephone and postal charges and train fares—and a particularly sharp rise in the cost of housing following the rise in mortgage interest rates. The short-term outlook depends in part on what happens in the Budget. While the Government is likely to avoid the big rises in indirect taxes of last June, specific duties on alcohol, tobacco and petrol are generally expected to rise. Coupled with especially big rises in local authority rents and rates in April, this is likely to be sufficient to push the 12-month rate up to 20 per cent by the early summer.

This could be the peak, partly for the statistical reason that from mid-July onwards the big rise in prices caused by last summer's Budget will drop out of the period covered by the 12-month rate. However, last November's forecast by the Treasury that the 12-month rate will be down to 14 per cent by the final quarter of 1980 looks even more optimistic than it did at the time. Most private sector forecasters believe the rate will be between 15 and 17 per cent at the end of 1980.

The prospects beyond then are less clear. The CBI suggested earlier this week that the distortions caused by years of pay control disappear, a deterioration in the financial position of companies and a fall in the demand for labour may ensure a decline in pay inflation in the coming year. Consequently, with sterling possibly remaining strong and with commodity prices likely to weaken because of the world recession, UK price inflation could fall significantly in the year to mid-1981. But a lot will depend on the rate of pay rises, and world commodity prices have so far been rising, not falling.

## Unemployment fears

Many academic and City economists believe that any slowdown in the underlying inflation rate will be gradual. On this view the Government's present policies will only prevent a deterioration, and the 12-month rate will still be in double figures in the mid-1980s, while the cost will be sluggish output and unemployment of over 2m. This can lead to calls for a return to formal pay restraint. There are certainly grounds for scepticism, though the doubts centre rather more on the depth of the Government's commitment to curb inflation by monetary means. Some critics argue that the problem so far has been that monetary policy has been of a hand-to-mouth character and has often accommodated rather than resisted inflationary pressures. On this view what matters is to be both credible and effective is a medium-term financial framework setting out targets for a number of years ahead.

This issue is still being debated by Ministers and some are known to be wary of making such a commitment. Yet without such medium-term targets the task of reducing inflation through monetary policy will be even more difficult than it is already. While present policies may help to prevent a repetition of the 1974-75 situation, they may not be sufficient to achieve the lasting reduction in the inflation rate sought by the Government. And that incidentally, is also what the City is assuming with yields on long-dated gilt stock of well over 14 per cent.

## Letters to the Editor

## Robbo

From the managing director, Numerical Pioneers, Sir—The last administration of this country more than provided for the incidence of unfair dismissal. Why therefore should Mr. Derek Robinson's case (if he has one) not be dealt with by the machinery already well established settling the industrial Tribunal? I am sure that it will happen in the case of any other employee. John Collins, 24, Ley Street, Oscestry, Salop.

## Unions

From Mr. P. McCaig, Sir—Most reasonable people could admire the spirit and intentions of the "Tollpuddle Martyrs"—and of many succeeding generations of sincere trade unionists—who battled courageously in these earlier years against economic oppression. But in those days the individual private employer was the target of the trade union movement. Who is the target today—and who suffers?

It is so often not the individual private employer but the general public, ie, fellow workers and trade unionists. Many of our current and recent problems relate to industrial action taken against hospitals (the public health), railways (a facility for getting to work), airports (often affecting the public's holiday plans), the steel industry (in the end affecting us all), independent TV (the loss of "Coronation Street" and "Crossroads"), and likely strikes in local government services, including the teaching of our children. And we may even get our water cut off—and sewage left "undisposed".

Does the trade union movement not now care about the interests of the community—or does it now believe that "the end justifies the (any) means"? Hasn't the British trade union movement "lost its way" somewhere along the road from Tollpuddle?

And this apart from the economic illiteracy of it all! Peter A. McCaig, 23, Toller Road, Quorn, Loughborough, Leics.

## Shareholders

From Mr. G. Schermerling, Sir—The arguments for a Lot Monory (Lombard, February 11) are primarily social and political. Half a million households "entering the stock market for the first time" means 1m voters acquiring an interest in a rewarding level of profits and dividends, in the complete abolition of the iniquitous investment income surcharge, and generally having a stake in the free enterprise system. It is socially the counterpart of agricultural all-holdings and the pre-war imitating. G. Schermerling, 1, Whitehall Place, SW1.

## Change

From Mr. M. Kellner, Sir—I have been unhappy to see the discussion in your columns and elsewhere which is by agreement between the protagonists, based on the assumption that the new generation of microelectronics will inescapably increase unemployment, and hence, misery. The latest electronic devices merely represent the most recent stage in the development of contrivances which reduce the labour content of goods and services—a process which has been going on for a long time, at an accelerating pace. Whether the most recent developments represent a step change or a steepening of the labour content curve is just a matter of semantics.

as a confession of unacceptable failure.

There is no excuse for structural unemployment, or for a substantial reduction in hours worked, as long as anyone lives below the poverty line, as long as any family has to put up with poor housing, as long as any child is taught in an over-large class, as long as the Health Service is starved of money.

This is the challenge. There is no justification for Luddite obstruction to engineering developments. We must find ways of mobilising the freed human resources to do what is socially desirable and, I contend, economically necessary.

Michael Kellner, 1 Old Rectory Close, Tanfield, Stanley, Co. Durham.

## Comptroller

From Mrs. V. Flegmann, Sir—Professor Stamp (February 11) regrettably adds to the already existing confusion about the role of the Comptroller and Auditor General and about the work of the public accounts committee. The Exchequer and Audit Department does audit the accounts of the Crown Agents, but does not monitor their activities and even with "better qualified" staff could and should not have done so. The fact that it was done so by the Comptroller and Auditor General in October 1980 which set in motion the subsequent inquiries into the Crown Agents' activities is greatly to the E and A's credit.

The idea that there exists an unholy dominance of the Treasury over the Comptroller and Auditor General has become an established myth, so it is well to remember that no real evidence for it has ever been presented. Perhaps that is why no attempt has ever been made by the public accounts committee to curb the alleged evil influence. No one who made use of the opportunities available to all since March 1978 to attend the public meetings of the public accounts committee could mis-

take the subtle and restrained tone of their inquiries for "supine and servile." A careful examination of past inquiries should also dispel any suggestion of incompetence, for example, inquiries like that in 1972-73 which led to changes in the taxation of North Sea oil introduced in the Oil Taxation Bill 1974. (Mrs.) Vilma Flegmann, Bath University Centre for Fiscal Studies, Claverton Down, Bath.

## Welfare

From the Director, National Council of Social Service

Sir—Professor Myddelton (February 6) asks "Why not denationalise substantially all the education, health and housing industries" as a means of cutting government spending? Professor Myddelton is right to ask the question in that in theory denationalisation is one of several possible futures for the welfare state. In practice I believe substantial denationalisation is politically and practically impossible because it would represent a giant step towards a two-nation society divided between those who can afford the price for the services and those who cannot. Those who cannot would have to rely on a second-class, safety net, free service.

The cost of welfare services is only one consideration to be taken into account. Of equal importance is a consideration of the goals that welfare services seek to achieve. There is much evidence that statutory programmes fail to achieve their stated goals: too many young people leave school illiterate, innumerate or both; yesterday's grand housing design is fit today only for the demolition squad; and so on.

Taking stock of the lessons of the past and the economic constraints of the present, there are strong arguments in favour of the state (centrally or locally) restricting its role in

some fields to that of gathering taxes and rates and the equitable distribution of those taxes and rates. It does not necessarily follow that it should be the state that actually provides all the welfare services. The large and increasing voluntary sector in this country, which rightly looks to government for at least part financial support provides many examples of this approach. The voluntary sector has an additional advantage in that it provides an important opportunity for many members of the public, including clients to be involved in both the planning and the delivery of welfare services, especially locally. Nicholas Hinton, 26 Bedford Square, WC1

## Engineers

From Mr. S. Oliver

Sir—K. Swann (February 8) raises some interesting points on the "formation of the future engineer."

There is really no reason to expect that several institutions which are currently unable to achieve an objective would succeed if joined together (it didn't work at British Leyland). The Institution of Production Engineers should change its name to the Institution of Production Technologists. This title would naturally include the management of production technology which is currently unable to achieve an objective would succeed if joined together (it didn't work at British Leyland).

As a chartered engineer, my main reason for reluctantly casting aside the title "engineer" was the debasement of the word

in current usage, and examples abound. I was, however, surprised by a more subtle example when I read of a suggestion to create an "Institution of Information Engineers"—to embrace data processing activities in the computer world.

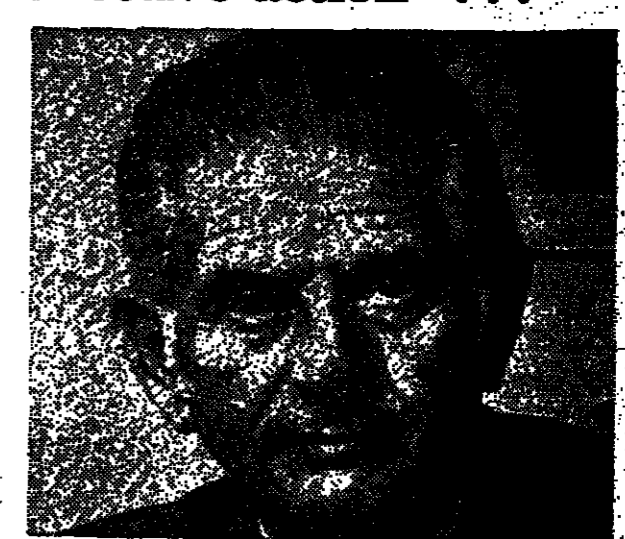
Pessimism has been "the order of the day." A professional institution's journal editorial made reference to the "decline of the value" of engineering and said that leaving any action to either the institutions, trades unions, Finnieston or the Government is merely preserving the "status quo." The remedy lies with engineering companies and engineers themselves.

Well, it is even more complicated than that, and the further education establishments must take a lead. The chartered production technologist would (as at present) hardly be able to achieve this status much before the age of 30. The educational level must be the equivalent of a four-year university or polytechnic course (plus back-up elements) and the training very similar to that of medical students in its structuring. Paths must always be left open, however, for students to achieve the necessary level of education by part-time study. The overall course must include large elements of cybernetics, financial and human relations studies.

They who pay the pipers do in fact call the tunes, and the long period of practical training in the practice and management of engineering is, of course, in the hands of industry and it is here that vital liaison is required between the institutions and industry. Naturally, the best of our youth will only be attracted to such a severe regimen if the personal and financial rewards are clearly stated.

Stanley Oliver (Senior Lecturer, Department of Engineering Studies and Management, Salford College of Technology, Salford.

## "I look for effective action"...



Sir Monty Finnieston, FRS

"I look for effective action from any organization. That is why I admire Help the Aged for it gets on with the job, the vital job of helping old people in real need in a thoroughly practical yet friendly way. And with the minimum red tape and the maximum mobilization of voluntary effort—which is why it achieves such a great deal with the money it is given."

Time is not on the side of old people. Help the Aged is—with the devoted help of volunteers who make each donation achieve 'small miracles' for old people in need.

Day Centres to help the lonely—£12 provides vital equipment, £150 inscribes a loved name on the Dedication Plaque of a centre it helps. With geriatric treatment centres—£30 is a big help. With food for those near starvation abroad—£5 sends 25 good meals.

Get some action going for someone old—Please use the FREEPOST facility and address your gift to: Hon. Treasurer, The Rt. Hon. Lord Maybray-King, Help the Aged, Room F17L, FREEPOST 30, LONDON W1E 7JZ (no stamp needed).

\* Please let us know if you would like your gift used for a particular purpose.

# The movie money maze

BY DAVID BELL

FINDING the finance to make a film is now more difficult than it has been for years.

John Schlesinger, a director with a long track record, took two years to raise the money for *Yanks* which is now on general release. At one point he was even negotiating with a Sheikh.

Otto Preminger, whose film *The Human Factor* was released earlier this month, ended up selling part of his art collection to raise enough money to finish it.

Indeed as interest rates have been moving higher directors have had to get deeply involved with "talking to the money," a task they might once have safely left to others.

British film makers with ambitions to make large scale films realise that they must, from the start, set their sights firmly across the Atlantic. But in the present climate the obstacles are formidable enough for established directors (unless they join forces with one of the major Hollywood studios) and they are even more formidable for the small group of men and women trying to break into the business from Britain.

The film industry — the studios and very powerful distributors on both sides of the Atlantic — is suspicious of independent film makers. It is structured in such a way that they have to fight very hard to elbow their way in. And, once there, survival is by no means assured.

Mr. Stuart Cooper, who has been highly regarded but relatively low budget films to

his credit, is one such director. His problems are typical of those that face the small band of film makers in Britain that is still determined to make good films on their own terms.

This week the book on which his latest film is based is published in London. Called *The Final Act*, it is a political thriller set in Chile about the general disillusionment of an American foreign service officer caught up in a web of Washington-inspired political intrigue.

The book, which is published in England by Michael Joseph, has an unusual pedigree in that its author — Mr. Christopher Hudson — has based it on the outline for the script that he originally wrote for Mr. Cooper. The publishers think highly of it and it has already been sold in the U.S.

For Mr. Cooper this will be a help. But its publication is really only a milestone on a much longer road that stretches back two years. The first problem for an independent director is to find the "seed money" to finance the writing of the script.

In Mr. Cooper's case this came from the National Film Development Fund which provided about £11,000 to cover the start-up cost. The fund, which has close links with the National Film Finance Corporation (NFFFC) has helped 95 film projects with loans averaging £10,000. Only three have so far gone into production, but another 80 have reached the stage where they could go ahead if finance can be found.

The NFFFC has aided more than 750 British films in its



Lee Marvin (left), signed up for Stuart Cooper's "The Final Act." Walter Matthau (centre), who is in Otto Preminger's "The Human Factor," which cost the American director part of his art collection.



30-year history, but its resources are limited and its future shape is still being considered by the Government. Meanwhile new regulations have been introduced this month for the Eady Levy under which one-twelfth of all box office receipts are channelled back to the makers of successful British films.

## Incentive

Some of the £7m raised by the levy each year does go to help new film makers, but most of it goes to successful British film makers reflecting its original purpose. This was to provide an extra incentive for them to shoot their pictures in Britain, thereby ensuring continuing employment in the industry. And British studios are currently very busy — with work for the major companies.

The levy thus makes little difference — for the moment at least — at the other end of the business: the raising of money before a film actually goes into production. And Mr. Cooper is looking for about \$6m.

So once the script is finished the vital next step is to find a cast, and particularly a star. This often involves protracted negotiations — usually at arm's length — on both sides of the Atlantic.

Mr. Cooper has persevered and has signed Lee Marvin to play his hero. The cast is also to include Cliff Robertson and John Hurt.

At this stage, and until the film is actually off the ground, it is the cast which more than anything else a director must use as bait in his ceaseless efforts to pin down the finance. Armed with a script, a cast and a budget many independent producers then approach one of the major studios with their package. The eight leading studios still operating in Hollywood (they range from MGM to Walt Disney) dominate the industry. Three British companies — EMI, Rank and ATV Associated Communications Corp — also have production programmes, but in recent years these have become increasingly slanted towards the United States.

The studios' first response to a package like Mr. Cooper's is usually to increase the budget by the 25-30 per cent that they claim they need to cover their fixed costs. They also lay claim to box office receipts so that a film must do very well before the director gains much from it.

Universal liked what they saw of *The Final Act* but they said the script needed "more action and a bright ending." Warner Brothers thought it "one of the most interesting political thrillers" they had seen. But the changes that both studios would have demanded in return for financing the film were, in Mr. Cooper's view, too extensive in both financial and artistic terms.

The studios are by no means infallible. *Star Wars*, now one of the highest earners in the history of films, was hawked from studio to studio for three years. The legend is that 20th Century Fox only bought it in the end because the children of the then boss of the studio, Mr. Alan Ladd Jr., were interested in science fiction.

Film makers who do without studios can succeed very well. One of the most successful British producers is Mr. Otto Preminger, who made his reputation with *Georgy Girl* in the 1960s. He is just putting the finishing touches to *Hopescotch* — an independently made film starring Walter Matthau and Glenda Jackson.

He readily acknowledges that in raising money the cast is crucial. With Matthau in the lead for example, it is relatively easy to raise money by "pre-selling" a film. This means selling it in advance to cinema chains around the world in return for promissory notes that can be discounted at a bank.

Equally important, it means selling the film in advance to one of the three U.S. television networks and to one of the fast-growing American cable TV systems. A film starring Robert Redford can mean an advance of \$5m. Walter Matthau is worth between \$3m and \$4m. The "league table" of stars' earning power is constantly shifting and is engraved on the heart of many producers.

Pre-selling has now become a critical source of finance — particularly for independents. Mr. Cooper is on the verge of selling *The Final Act* to one U.S. cable-TV system and is in advanced negotiations with distributors in the U.S. and many other parts of the world.

Gradually a web of promissory notes is being assembled. But here, too, there are potential problems. Banks which are prepared to discount the notes or put up finance are very cautious about distributors. They insist on distribution and completion guarantees. And, of course, they charge interest.

British merchant banks — they include Guinness Mohon, Rothschilds and Antony Gibbs — are involved in the film business as are several major U.S. banks including Bank of America and First National Bank of Boston.

The banks are sometimes accused of being too cautious and stifling new projects. They argue that because they are lending their depositors' money they have to be sure that it is as safe as possible. "It's a fact that films are like soap powder in that they do have to be marketed. Some producers are very bad at marketing," said one merchant banker.

The rewards for films that succeed can be enormous and there is a fair amount of money looking for likely ventures. For pre-selling, and the complicated network of finance that it can unlock, may finance the greater part of the cost of a film, but it is unlikely to cover all the cost of it.

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Partnership  
Mr. Cooper is in partnership with Mr. Tim Abel-Smith, an experienced businessman, and the two of them have designed several schemes to attract private venture capital.

The 1978 Finance Act does allow investors in films under certain circumstances to set losses against three years' worth of previous earnings. For investors paying tax at high rates this can be a considerable advantage, but the Inland Revenue examines such schemes closely and needs evidence that the business is not just a one-off venture designed purely for its tax advantages.

tee on the Film Industry, chaired by Sir Harold Wilson, also proposed in its last report in June 1979 that other tax changes should be considered by the Government to bring the film industry more in line with that in the United States. If implemented these recommendations would also unlock new sources of finance.

Mr. Cooper's company Sawbuck Productions has been in existence for 13 years and has other ventures under way including an ambitious series for Thames Television's *Euston Films* subsidiary based on the life of Siegfried Sassoon, the World War I poet.

It, and other small production companies like it, have considerable potential. The coming of the fourth television channel, which is expected to take a significant proportion of its output from independent sources, should provide a range of new opportunities for companies like Sawbuck. Mr. Cooper already has his eye on this new market.

But his immediate challenge is to tie up the remaining finance for *The Final Act* and deliver it on time, within budget to the distributors and television companies who have bought it sight unseen. It makes selling soap powder seem quite easy.

## Weekend Brief

### Stars in the east

According to ancient Chinese superstition the appearance of comets and eclipses exert a malign influence over the affairs of men, and particularly over those in positions of power. If this is the case the Chinese leadership should perhaps approach the coming year with some foreboding.

This weekend, as China celebrates its new year, there will be an eclipse of the sun. It is possible it is the first time in Chinese history the two events have coincided.

Whatever the seeds would have made of this unusual confluence of events, it is almost certain they would have regarded it as less than auspicious. In the past, a solar eclipse was said to bring about the loss of virtue on the part of the Emperor. Whether astrologers would apply such superstitious theories to the socialist "emperors" of today is an interesting question.

Certainly, Chairman Hua Guofeng, one of the most circumspect of men, gives no sign of losing his virtue or even his position as chairman of the Communist Party, although there are suggestions that he may shed the premiership this year.

Chinese authorities, recognising the potent force of superstitious beliefs, particularly in the countryside, have launched a campaign to persuade the masses that a solar eclipse does not portend sinister events. Traditionally, the peasants have reacted to solar and lunar eclipses with some anguish in the belief that a supernatural creature was devouring the sun or the moon.

According to ancient Chinese belief a frenzied banging of drums and gongs and the letting off of firecrackers was the only way to stop this celestial feast. Curiously, the early part of this year has been marked by a number of reports in the official media of instances of witchcraft and the practice of other superstitious beliefs.

According to a radio broadcast from Anhui province in central China, local authorities took action against acts of feudal superstition, fortune tellers and swindlers who practice witch doctoring.

The Communist Party newspaper, *People's Daily*, recently ran a short commentary which lamented that "some of the masses still engage in superstitious practices by visiting fortune tellers and worshipping idols." To back its campaign, the *People's Daily* has run a series of "cautionary tales" about the evils of superstitious practice. It related the story of He Denggao, the Shandong man who, convinced that his house was haunted, built another only to decide the second house was also inhabited by evil spirits. The man had then bought some firecrackers to frighten away the spirits, but the crackers had exploded in his hands, killing him.

A tragedy had happened because "He Denggao did not believe science, but in god and ghosts," a correspondent to the

## The ill-starred start to the Chinese New Year... the Arab return to the British house market... Christie's and Tokyo's bidders



Hua (left) and Deng: star struck



We have had the odd deal fall through because the buyers were not accepted as permanent residents by Jersey.

But evermore active, in terms of English buyers abroad, says Hutchings is Hampton's Paris office. "Our Paris office used to handle only commercial sales and lettings but with the increased interest in French properties we have expanded into apartments and into chateaux. There's a lot of interest in the smaller chateau right now."

### A taxing task in Tokyo

This week end the people of Tokyo can enjoy a novel spectacle — a public auction. At the Hotel Okura Christie's of London is disposing of 850 lots of antiques, carefully chosen to appeal to Japanese tastes and conservatively valued at £3m. It is the first time that Christie's has held a sale in Tokyo for a decade and it has taken two years to organise.

The auctioneer will be Sir John Figgess, head of the company's oriental department, and a long time diplomat in Japan. But even with his contacts the problems in arranging the sale have been formidable. For a long time the Japanese dealers have had such a firm grip on buying and selling works of art that to hold an auction attended by private collectors Christie's has had to send the names of its invited guests, a thousand in all, to the police for approval. The general public will be admitted only as spectators.

In the past the dealers grip has reflected the mysteries of the Japanese temperament. The Japanese hate to lose face in public and bidding at auctions and failing to secure the desired lot would be an embarrassing experience. Then again buying antiques in the saleroom involves disclosing your wealth to the tax authorities which could mean losing more than face. Finally by tradition the Japanese defer to knowledge and it was assumed that the dealers possessed it. Private collectors were prepared to pay well over the odds for works of art that came with the dealers' imprimatur.

However the subsequent disastrous fall in the value of the very items — Impressionist paintings and Chinese ceramics — bought recklessly by the newly enriched Japanese in the early '70s has shaken the faith in dealers and now Japanese collectors, their eyes open to the international art market, are trusting their own judgment. The star attractions for them this weekend are likely to be a Chagall "Fiances on a green background" which could sell for £150,000; a Rouault, "Chorus Girl," estimated at around £80,000 and, among the Chinese items, a black glazed jar of the Northern Song, that is conservatively estimated at £50,000.

Contributors:  
Tony Walker  
Robyn Wilson  
Antony Thorncroft

## Economic Diary

SUNDAY — Leaders of the two main steel unions meet British Steel Corporation on invitation from BSC. Milk price rise to 16 1/2p a pint. National Savings figures (January).

MONDAY — BL union district committee meets to discuss possible strike action at Longbridge. Austin and Pickersill shipyard begins three-day week. House of Commons second reading, Broadcasting Bill. Rolls-Royce launches mobile recruitment unit and issues statement on plans for 1980. Mr. Reubin Askeu, U.S. international trade negotiator, meeting European Community officials, Brussels. Canadian General Election. EEC Agriculture Council two-day meeting opens.

TUESDAY — Commons debates second reading, Reserve Forces Bill. EEC Foreign Ministers meet on political co-operation, Rome. President Daniel arap Moi of Kenya in talks with President Carter, Washington. Preliminary estimate of gross domestic product based on output data (fourth quarter). EEC Energy Council meets. Public inquiry into Atomic Energy Authority application to test drilling in Galloway Hills, Town Hall, Ayr. Labour Party delegation leaves to observe Rhodesian elections. Anglo-Israeli trade seminar, New Century Hall, Manchester.

WEDNESDAY — Mr. Cyrus Vance, U.S. Secretary of State, meets Foreign Ministers of Germany, France, Britain and Italy in Bonn on Soviet intervention in Afghanistan. U.S. deadline on Soviet Union troops in Afghanistan and the boycott of Moscow games. Transport and General Workers Union and National Union of Public Employees ballot result on water strike. Average earnings (December). Basic rates of wages (January). New construction orders (December). First Division Civil Servants give views on industrial action.

THURSDAY — Mr. Reubin Askeu in London talks with Mr. John Nott, British Trade Minister. Organisation of Petroleum Exporting Countries (OPEC) begin two-day meeting in London to talk on long-term planning. Commons debates Airports Policy. Fourth quarter figures for public sector borrowing requirement and details of local authority borrowing; capital expenditure by the manufacturing, distributive and service industries; and manufacturers' and distributors' stocks.

FRIDAY — Print unions meet employers on pay offer. New vehicle registrations (January). Sales and orders in engineering industries (November). Turnover of motor trades (fourth quarter).

# Where is the Motor Industry going?

Can the middle-sized company survive alone? How far will industrialised countries go in encouraging new motor industry investment?

These and many other questions will be examined at the World Motor Industry Conference arranged by the Financial Times in association with the management consultants Booz-Allen & Hamilton.

Timed to coincide with the 1980 Geneva Motor Salon, the conference will be held at the

Inter-Continental, Geneva on 3 & 4 March, 1980.

During the two days an international panel of speakers will discuss the outlook for car manufacturers and component makers and the public policy issues surrounding the industry as well as the financial situation, will be subjected to thorough scrutiny.

For full details of the agenda and registration procedures complete and return the coupon below.

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## Alcan (UK) profit falls by £4.8m—dividend cut

A SECOND HALF contribution more than halved from £5.8m to £2.5m has left taxable profits of Alcan Aluminium (UK), Canadian controlled aluminium producer, well down at £6.1m for 1979, compared with £10.9m—a peak of £24.3m was achieved in 1977.

And the final dividend is halved to 3.3p making the net total 6.8p (9.5p) per share.

Last August the directors reported a £1.5m fall in interim profits to £3.6m and said that expectations of lower levels of industrial activity in the UK over the rest of the year, combined with rising costs, made it difficult to forecast the future.

Mr. Dennis Finn, chairman, warned of the effects of inflation and strong sterling on results, but says that against this must be set the world supply-demand for aluminium, which while slackening during 1980, "is likely to become tight again in 1981 and succeeding years, and underpin market prices for aluminium throughout the world."

The company's results showed an improvement in the latter part of 1979, despite the effects of the engineering strike, and this gives a balance of some optimism to an otherwise unattractive economic environment," he states.

The chairman says the profit difference for the year was due mainly to higher interest rates, the company was affected by the severe weather conditions in the early part of the year as well as the engineering strike, in

October. "In addition, some of our major operating companies suffered loss of production due to a combination of production and industrial relations problems," he says. "The strength of sterling reduced export sales realisations and held down domestic prices because of increased competition from imports, Mr. Finn explains. An increase in the price of aluminium in November came too late to contribute significantly to 1979 results, he adds. Earnings per £1 share are shown to be down from 18.1p to 11.2p. Funds generated from operations totalled £14.4m, compared with £18.8m, and the average capital employed was £200.4m (£166.1m) during the year, giving a pre-tax return, before interest, of 5.4 (9.5) per cent.

See Lex

## Advance for Arden Hotels

TAXABLE PROFITS of Arden and Cobden Hotels improved from £197,294 to £206,681 in the year to December 28, 1979. At the halfway stage, when pre-tax profits of £117,000 (£112,800) were reported, the directors noted a general decline in business due to a reduction in the number of overseas tourists. Despite the effect of higher VAT on prices, they hoped that demand for accommodation and meals would improve

in the last months of the year. Turnover advanced from £0.98m to £1.09m in the year. The dividend is stepped up from 3.46p to 4.75p. After tax of £91,000 (£101,000), stated earnings per 50p share are 18.1p (13.5p). Profits include a £4.154 surplus on sale of land.

## Setback at Celtic Haven

HEAVY FIRST-HALF losses in engineering and offshore oil industry supplies are reported by Celtic Haven, marine engineer and steel fabricator. The pre-tax deficit deepened from £3,231 to £159,715 in the six months to September 30, 1979, in turnover more than halved at £589,930 against £885,378. Total profits last year were £44,000. Over two-thirds of the loss was incurred at Barn Lake engineering, say the directors, and a further but much reduced loss is expected in the second half. Similarly, reduced second-half losses are expected at Celtic Sea Supply Base, where the midway deficit was £34,000. Little Haven Farms, which produced a small loss, are being sold, and the directors anticipate that the resulting surplus on realisation will more than offset the group's trading loss. But they warn that concerted efforts to diversify the group's activities by acquisition have not yet yielded results. There is a tax credit this time of £80,000 (nil).

## Wedge profit down to £4.56m at nine months

LOWER third-quarter profits of £1.96m, against £2.47m, left the pre-tax surplus of Wedgwood down from £3.28m to £4.56m in the 39 weeks to December 29, 1979. This was struck after sharply higher interest of £1.57m, compared with £0.66m. Sales improved from £53,04m to £69,78m.

The directors expect fourth-quarter results to be somewhat, but not drastically, worse than last year, when profits were £2.22m. The pre-tax surplus totalled £3.55m for 1978-79.

Sir Arthur Bryan, chairman, says that in the light of current conditions in the UK the group's expansion plans have been put in cold storage.

He adds that some redundancies have been necessary and several factories are working short time. A total of £10m of the group's short-term borrowings have been converted to medium-term loans with variable interest rates. The chairman says that, with a number of factors making exporting increasingly more difficult, the group is bound to concentrate more than usual on developing the home market.

However, the group will make every effort to preserve its position in the important overseas markets. The directors are encouraged by the fact that demand for the group's products in most major markets remains good and, at realistic rates of exchange, would be very strong. Negotiations for the acquisition of Scotch Wedgwood (Tunstall) have proved more difficult than expected, the chairman says, and its results are not included in the figures. The directors hope to conclude the purchase in the near future. The underlying strength of the group remains solid, the chairman adds. Tax for the 39 weeks took £1.7m, against £1.53m. Stated earnings per 20p share are down from 12.8p to 9.1p. Group fixed assets amounted to £31.43m at December 29, 1979, compared with £27.4m at March 31, 1979. Net current assets were up from £18.94m to £29.39m, including bank loans and overdrafts of £9.2m (£13.04m). Loans payable totalled £16.57m (£9.97m).

See Lex

## Haynes Publishing ahead at interim stage and pays 2p

PRE-TAX profits of Haynes Publishing Group, car and motorcycle diy manuals concern, increased from £226,000 to £287,000 for the 26 weeks ended November 30, 1979, on turnover of £2.38m against £1.87m. In the UK the effect of price increases, introduced last November, combined with the traditional upsurge in sales in the spring period, should result in a further increase in the second half, directors state. At the time of the offer for sale last November, directors forecast turnover and profits, for the 1979-80 year, of between £5.1m and £5.45m and £870,000 and £1.1m respectively—profit for 1978-79 was £797,000. An interim dividend of 2p per 20p share is announced, as forecast—on the basis of full-year profits of around £1m the directors have anticipated a 6p total. After a low half, the charge of £69,000 compared with £188,000, minority interests last time of £13,000, and an extraordinary dividend of £22,000 (nil), the attributable balance came to £206,000 (£158,000). Earnings per share are well up at 5.87p (2.9p).

The stock levels of finished books have been increased significantly during the six months as the company has been able to procure the appropriate amount of stock relief, which has reduced the tax charge.

In the U.S. the research, origination and editorial facility is now firmly established and functioning satisfactorily, but due to necessarily long lead times the effect of the U.S. contribution to sales will not be felt until after the company's year end in May 1980. Comparative figures for 1978 include the results of J. H.

### DIVIDENDS ANNOUNCED

Company	Current payment	Date	Corr. Total of speeding	Total last year
Adams & Gibbon	4	April 24	2.88	5.75
Alcan Alum.	3.3	—	8.8	6.6
Arden & Cobden Hotels	4.75	—	3.46	4.75
Bewhurst Dent	0.5	May 12	0.6	0.3
Glasgow Stock Exch.	2.2	Mar. 22	1.58	3.891
Haynes Publishing Int.	2	Feb. 29	—	—
Helical Bar	1.49	Mar. 21	0.98*	2.15
Scottish United Invest.	1.49	Mar. 28	0.98*	2.15
Wagon Finance	1.60	Apr. 3	1.88	2.31

Dividends shown pence per share net except where otherwise stated.

\* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Including 0.413p Shell dividend. § Not less than 1p final forecast. ¶ Includes special interim of 0.413p.

## Wagon Finance slides £659,000

AFTER INTEREST costs sharply up from £3,07m to £3,66m pre-tax profit of the Wagon Finance Corporation for 1979 fell £659,000 to £2,054,000.

Mid year, when reporting a downturn from £1,307,455 to £888,802, the company said that the decline in profit was more than accounted for by the increase in interest costs. Although part of this rise was due to higher borrowings, the major portion was caused by the higher interest rates.

With tax taking £1,109,000 (£1,440,000) stated earnings per 25p share were down at 4.08p, against 5.47p. A £1,870p net final leaves the total little changed at 2.3125p (2.303125p). Turnover of the group, which is principally engaged in banking and the provision of instalment credit, was ahead from £19.92m to £21.82m.

### comment

High interest rates continue to impede progress at Wagon Finance. A second-half increase of 31 per cent in gross income has been more than swallowed by the interest charge, leaving the pre-tax figure down by almost 18 per cent.

has not been alone in misjudging the interest rate trend but it will continue to pay for the mistake even if M.R.S. falls in the spring, since it has been re-financing itself over the medium term at current rates. The conclusion is that new business is expanding fast and, with an average 18-month book turnover, the return on it will probably be looking very advantageous by early next year. Gross instalment credit balances are up by 21.2 per cent over the full year and the group must be hoping that forthcoming interest rates added to a downturn in car sales (the mainstay of the business) do not reduce credit demand. The stated p/e of 8.3, on a share price of 35p, seems to anticipate both widening margins and a buoyant level of new credit agreements, which is a reasonable expectation over the medium term. In the meantime, the yield is a respectable 9.7 per cent—despite a slight cut in the gross payment.

### ASSOCIATES DEAL

Bill Samuel Investment Management as associates of Nacal, have sold 1,500 GEC on behalf of Mr. A. J. Dyer, Mr. H. H. Singer, and Mr. M. Stoffer, directors of Alpine.

Alpine's brokers have placed with institutional and other investors 1,22m shares representing 18.5 per cent of the capital, received by JGA. Total proceeds of the placing amount to £1.48m which is approximately the cost of exercising the options. Some 275,000 shares have been retained by JGA, so the group has not received a net cash amount as a result of the exercise of the options.

Following the transaction the JGA interest in the capital of Alpine has increased to 10.6m ordinary shares, representing 9.3 per cent. JGA intends to retain this interest as a long term investment.

At the same time, Pickering Group has sold its subsidiary, Stalwart Dyeing Company of Clitheroe, Lancashire, as going concern to its managing director and Mr. Trevor Balmforth, for an undisclosed price.

At the same time, Pickering has created a separate subsidiary company, Stalwart Pickering, which will continue to hold the patents, manufacture and market the Stalwart continuous printing and dyeing machinery for the Pickering Group.

Howard Doris has entered into a preliminary agreement which it is intended will lead to an acquisition of majority interests in Scoutorpe-based Weldit.

Weldit has substantial steel rolling facilities and has been active in supplying steel require-

ments for offshore structures for North Sea gas and oil. Howard Doris is constructing the steel integrated deck for the Marnes Field for Phillips Petroleum.

Glue Distributor, a subsidiary of the Swedish Kemabell Company, has acquired Alfred Adams and Company, plus distributors. Extracore operates within three areas—meat, foodstuffs and technical industries. Alfred Adams has annual sales of SKr 30m (£3.13m), while Extracore sales amount to SKr 260m (£26m).

Alfred Adams has been Extracore's main distributor of goods on the British market for many years.

This is the second acquisition of a British company recently—Oppenheimer Casing Company operates in the meat industry and has sales of SKr 60m.

IC GAS/COMPAIR Grieverson Grant and Co., an associate of Imperial Continental Gas, has bought 600,000 Compair shares at 105p, on behalf of the company.

Morgan Grenfell and Co., as an associate of Compair, has purchased, on behalf of discretionary clients, 100,000 shares at 104p.

CRODA PURCHASE Croda International has agreed to buy Colne Vale Dye and Chemical Company, dyestuffs manufacturer in Huddersfield. The assets to be acquired represent more than 5 per cent of Croda's assets.

Associated Sprayers—R. W. B. Boney has exercised his first option and has bought from H. E. Newton-Mason 100,000 shares.

AGB Research—G. B. Audley and D. A. Brown have each increased their holdings by 10,000 shares, making £65,166 and £22,670 respectively.

E. Fogarty—A. S. Joffe, director, has sold 10,000 deferred ordinary shares.

Mill Samuel Group—D. C. Mootham sold 9,571 shares on February 12 and acquired 10,000 shares on February 14. Total holding 10,000 shares.

Camellia Investments and its subsidiary disposed of 10,000 shares leaving holding 350,000 (5.48 per cent).

Peninsula and Oriental Steam Navigation, another name mentioned as a possible suitor, said, "no comment." It added that there are many rumours around at the moment in connection with Furness.

SHARE STAKES Property Security Investment Trust—Following the disposal of 224,656 shares on February 8, investments is now per cent interested in 3.9m (17.06 per cent).

J. and H. S. Jackson—Chartered Investments has purchased a further 155,000 shares, and now owns 2m (8.29 per cent).

G.T. Japan Investment Trust—

## BIDS AND DEALS Bejam buying Fine Fare freezer centres

Bejam, the frozen food and domestic deep freezer group, is further expanding its frozen food operations with the purchase of Fine Fare's entire discount freezer food centre operation.

Fine Fare, the supermarket and superstore subsidiary of Associated British Foods, is selling its 16 centres to Bejam for a total cash price of £2.9m. This brings Bejam's total of food centres up to 187.

Mr. John Allen, Fine Fare's marketing director, said yesterday that the food centres were reasonably profitable but the company felt there were better investment opportunities in its Shoppers' Paradise limited-range discount food operation. He said it was thought better to tidy up and dispose of the freezer centres.

In addition to building up the group's discount food store side, Fine Fare is engaged in a major superstore expansion programme. The group has 30 superstores trading at the moment, a further six are due to be opened this year and there are many others being built or planned.

Fine Fare, which has 480 supermarkets, claims to have some 5 per cent of the food market.

COOPER SELLS BROCKHOUSE STAKE Cooper Industries, the steel and engineering group, has dis-

posed of its entire holding of 1m shares in Brockhouse, the engineering concern.

Mr. J. G. Cooper, the chairman, explained yesterday that the sale of the holding—which represented 5.84 per cent of the Brockhouse capital—followed a change in the policy instigated by the former chairman. The opportunity was taken to sell the shares in a "cheerful market".

Fredk. Burgess stake in H. Norrington

Frederick H. Burgess, the unquoted agricultural engineer, now has a potential control of up to 24 per cent of Henry Norrington and Sons, agricultural engineer and merchant.

Burgess, which held 138,000 ordinary shares of Norrington prior to the suspension of Norrington's listing on February 4 ahead of an announcement, acquired a further 207,000 Norrington ordinary shares at 21p or dividend, three days later. It also acquired an option to purchase a further 577,000 Norrington ordinary at 21p ex dividend.

Norrington's shares were suspended at 16p, which capitalised the group at £809,120.

## Gulliver steps up stake in Alpine Holdings

James Gulliver Associates, the private investment company headed by Mr. James Gulliver, has increased its stake in Alpine Holdings, the double-glazing and windows group, to 9.3 per cent.

JGA has exercised an option and bought nearly 1.5m shares (18.5 per cent of the capital) from Mr. A. J. Dyer, Mr. H. H. Singer, and Mr. M. Stoffer, directors of Alpine.

Alpine's brokers have placed with institutional and other investors 1,22m shares representing 18.5 per cent of the capital, received by JGA. Total proceeds of the placing amount to £1.48m which is approximately the cost of exercising the options.

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Peninsula and Oriental Steam Navigation, another name mentioned as a possible suitor, said, "no comment." It added that there are many rumours around at the moment in connection with Furness.

SHARE STAKES Property Security Investment Trust—Following the disposal of 224,656 shares on February 8, investments is now per cent interested in 3.9m (17.06 per cent).

J. and H. S. Jackson—Chartered Investments has purchased a further 155,000 shares, and now owns 2m (8.29 per cent).

G.T. Japan Investment Trust—

## BMK incurs £0.48m loss: sees substantial deficit over year

LOWER OUTPUT and increased costs resulted in a Blackwood Morton and Sons (Holdings), carpet manufacturer, incurring a pre-tax loss of £479,337 for the six months to December 31, 1979. This compares with a taxable profit of £237,116 last time.

The directors say that both in the UK and overseas an upturn in demand seems unlikely and they expect a substantial loss for the year. Last time, there was a pre-tax profit of £327,000.

They add that, in September, it was hoped that following the reductions in income tax the home trade demand for the group's products would improve from October.

In fact, this benefit was largely offset by the pressure of living with the result that home sales were disappointing and the strength of the pound has continued to make exporting difficult.

The combination of excess capacity in the industry competition from abroad and high interest rates caused many UK manufacturers to sell at un-economic prices when demand was low. The group maintained its prices but sales suffered—turnover for the six months was down from £1m to £1.92m.

In view of the substantial loss expected for the year, some reorganisation of the group's activities is taking place, the directors say.

Reductions have already been made in administrative staff and the directors have decided that it is essential to concentrate all pile yarn spinning and Wilton production in Kilmarnock.

As a result, the group's spinning and Wilton weaving mills in Liversedge, Yorkshire, where some 300 people are employed, will be closed as soon as possible. The costs of this closure will be considerable, they add, and most of this will fall in the current year.

The stock warehouses in Larn, Cardiff and Belfast have already been closed. In the case of London and Cardiff, the leases are being sold, and in Belfast, the lease expires in August.

When the transfer of production to Kilmarnock has been completed, there will be considerable savings in transport and administration costs, and a return to profitability after that can be anticipated, the directors conclude.

There was a deferred tax credit of £46,000 for the half-year, compared with a £102,000 charge last time. After an extraordinary debit of £112,006 (£174,200 credit), there was a loss of £545,343 (£298,316 profit). Losses per 25p share are given as 5.4p (1.6p earnings).

### comment

Blackwood Morton could end up wiping around £1m off its net worth this year. But by the time it has retreated behind the bar-

cade of Kilmarnock it should be able to trade in the black, even in the depressed market. Like most of the carpet industry, BMK has suffered from the pressures of falling exports, increasing import penetration, dull domestic demand and cost pressures culminating in intense competition. The closure of the Yorkshire activities, perhaps reduction in capacity of 15 per cent—follows redundancies in Kilmarnock, the closure of three warehouses and, last year, the ceasing of operations in Canada and Australia. In Yorkshire half could well prove more saleable than the weaving mills which could prove very hard to find buyers for. Overall demand prospects are unexciting and tufted (30 per cent of BMK's carpet turnover) are a particularly tough market. However, following the Yorkshire shut-down Kilmarnock will be back on full time and BMK could trade profitably by 1980-81. That may look a long time off to a share price which slid a further 5p to 20p yesterday, with little hope of even a nominal dividend this year. By June net debt will be little changed at around £31m and shareholders' funds may be down to £81m. The market capitalisation is only £1.8m but carpet manufacturing assets are unlikely to sit up predators. The shares are not going to reach much of a showing in the foreseeable future.

As a result of the accounting change £382,000 has been released from deferred tax provision of which £158,000 relates to period prior to 1979.

JARDINE LOAN STOCK PLACED Cazenove and Company placed HK\$75m (£8.72m) of Jardine Matheson 7 1/2 per cent convertible loan notes in Hong Kong and London. This forms part of the \$800m stock issued by Jardine in 1975.

Cazenove said yesterday that it was a normal placing and involved some 50 institutions. The stock was quoted at \$92 in Hong Kong yesterday.

At least last year's £15.4m pre-tax, although the trading picture with carpets and hosiery/knitwear will not look particularly inspiring. With Carrington Viella, much depends on what accounting policies are used in relation to the reorganisation costs, the losses by the tufted carpet activities and the deficit in Italy. If these are taken above the line, the profits over the year could be in the region of £8.5m, compared with £14.5m last time. This downturn inevitably throws a question mark over the final dividend.

The contracting and civil engineering industry has not been sparkling of late and Marchewill appears unlikely to buck this trend when preliminary figures are revealed this Monday. The board has already indicated that it expects a pre-tax surplus of some £11m, against last year's £13.5m. The bad weather earlier in the year sliced into first half earnings and although the second half picked up slightly, the recovery was probably not sufficient to bring the earnings back to last year's earnings level.

Comparative figures for 1978 include the results of J. H.

At the operating level profit jumped from £55,550 to £130,000 as a result of higher volume sales of steel products in the UK and greatly improved performance by Cooper Re-Bar, now a fully owned subsidiary.

Tax took £76,000 (£27,000) leaving stated earnings per 25p share up at 2.3p.

For 1978-79 profit was turned round from £55,000 to £138,000 after four years of decline from a peak of £9.47m in 1973-74.

Crossfriers investment policy Crossfriers Trust, an authorised investment trust, is planning to increase its exposure to unquoted companies. An EGM will be held to obtain shareholders' approval on March 8.

Announcing this move yesterday the directors said the primary aim of the trust should be investing in the securities of unlisted companies. They added, however, that this category would not in future exceed 50 per cent of the trust's assets, with the

dividend (p) \* Last year Final This year

Company

Announcement due

Company

Announcement due

Company

Announcement due

Company

Announcement due

Company

Announcement due

Company

Announcement due

Company

## Results due next week

Lloyds Bank, the smallest of the four major clearing banks, reveals its preliminary figures next Friday. After an impressive half-way rise in pre-tax earnings to £245.0m, the bank said the group will achieve as much as

## SUMMARY OF THE WEEK'S COMPANY NEWS

## Take-over bids and deals

In an extremely active week in the Bids and Deals sector, the battle for Decca was resolved when Racal won control with an offer worth just over £100m. Opponents GEC conceded defeat when, after several days of secret negotiations with Decca's major shareholders, Racal announced an increased share exchange offer of three of its own shares for every Decca voting share, and five for every two non-voting; there is a cash alternative of 600p per voting share and 500p for the non-voting. Racal's increased bid drew irrevocable acceptances from the remaining directors of Decca and a number of UK institutional shareholders. This brought acceptances up from 17.2 per cent when the first Racal bid was announced to 38.1 per cent of the Decca voting capital. Racal bought just under 6 per cent of the voting shares in the market on Thursday, increasing its ownership to 12.3 per cent, which resulted in control of 50.4 per cent of the votes.

C. Y. Tung of Hong Kong made a 380p per share cash offer for Furness Withy, the sailing British shipping group, valuing the latter at £96.5m. Tung first started buying shares in Furness three months ago and has since built up a 5.51 per cent stake. On Thursday, European Ferries sold its 4.99 per cent holding in Furness, but it is understood that the shares did not go to C. Y. Tung. Another significant British buyer has shown interest. The Furness share price, some 20p above the Tung offer, signals a spirited defence to the offer or an increased bid.

Imperial Continental Gas Association made an agreed £58m bid for CompAir, Britain's leading compressed air group. The terms are 55p cash plus 50p of new convertible loan stock for each ordinary share in CompAir.

S. Hoffmann received a cash offer of 80p per share, worth £15.9m from Burns Philp of Australia. Hoffmann called on shareholders to take no action as it considered the offer unacceptable and the shares went well above the offer price. UK institutions control the bulk of Hoffmann.

Thornemort Trust agreed to pay almost £4m cash for all the investment holdings of Capital for Industry, a subsidiary of Grindlays Bank. The move gives Thornemort majority shareholdings in five companies, including a 70.04 per cent stake in Cray Electronics. The proportion of the consideration attributable to Cray is £2.15m, or 31p per share which, under City Code rules, means Thornemort will now be obliged to make a 31p cash offer to other Cray shareholders.

Restro Investments, a private company based in Jersey, is making a £470,000 cash offer for the loss-making ladies' fashion concern Polly Peck. The offer amounts to 5p per share. Restro is indirectly owned by Mr. Asif Nadir, the chairman and managing director of Wearwell, the clothing group. Restro intends to continue and develop the business of Polly Peck and to maintain the company's listing.

Europcar, the Renault car rental subsidiary, is interested in buying the rental and chauffeur-driven car hire business of Godfrey

Davis, the largest car hire operator in the UK. Dealings in Godfrey Davis' shares were suspended on Monday at 148p.

City and International Trust announced that discussions are in progress with an unnamed party that could lead to an offer for the company.

Dealings in the shares of Norwest Holst were suspended on Wednesday at 118p, presumably ahead of the long-awaited bid for the outstanding 42 per cent minority from directors Raymond Slater and John Lilley.

Company bid for	Value of bid per share** price**	Price of bid before of bid bid	Value of bid £m's**	Bidder	Final Acc'tce date
Prices in pence unless otherwise indicated.					
Armstrong Shanks	105	102	55	Blue Circle	21/2
Bowling (C. T.)	164	133	141	179.3 Marsh and McLennan	—
CompAir	105	103	95	58.09 I.C. Gas	—
Cray Elect.	31*	35	35††	0.93 Thormorton Trust	—
Dawson Day	60*	59	47	16.6 Hume Hldgs.	—
Decca	550*	585	550	39.75 GEC	—
Decca 'A'	450*	490	425	52.12 GEC	—
Decca	621	595	365	44.88 Racal	—
Decca 'A'	518	490	320	59.99 Racal	—
Dole Tea	270*	280	215	0.29 Tategold	—
EMI††	147	123	95	163.41 Thorn Elect.	—
Empire Plants	24*	24	19†	0.80 Caparo Invs.	29/2
FPA Const.††	16†	15	18	1.31 Heywood Williams	—
Furness Withy	360*	377	332	96.49 C. Y. Tung	—
Hoffmann (S.)	80*	86†	74†	14.10 Burns Philp	—
Nationwide	6†	5†	9	0.65	—
Leisure	9*	16	7†	0.47 Rantledge	—
Polly Peck	49*	48	41	5.00 Bannockburn	—
Wardle (B.)	33*	33	28†	1.45 Birmid & Nid.	—
West of England Trust	92	100	76††	4.14 Globe Invest.	—

\* All cash offer. † Cash alternative. †† Partial bid. § For capital not already held. ‡ Combined market capitalisation. || Date on which scheme is expected to become operative. \*\* Based on 15/2/80. †† At suspension. ‡‡ Estimated. §§ Shares and cash. †† Unconditional.

## Scrap Issues

Arclan Lakes Corporation: One for five.  
Ladies Pride Outerwear: One for five.

## PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings* per share (p)	Dividends* per share (p)
African Lakes	July	1,320	(1,240)	61.3 (76.1)
Assam Tea	June	216	—	—
Birmid Qualeast	Dec.	3,105	(4,767)	8.1 (8.0)
Christian Salvages	Sept.	12,138	(3,514)	—
Coronet Ind. Secs.	Sept.	580	(518)	43.6 (28.5)
Crescent Japan Inv.	Dec.	348	(138)	3.8 (2.2)
Crest Nicholson	Oct.	4,326	(2,896)	16.7 (10.3)
Ford (Marina)	Dec.	1,330	(1,320)	4.1 (3.5)
Howard Machinery	Oct.	1,330	(2,280)	3.1 (2.5)
Imperial Group	Oct.	130,552	(131,084)	19.2 (18.5)
Ladies Pride	Nov.	1,130	(1,010)	8.9 (7.1)
Macpherson (D.)	Oct.	4,640	(4,080)	21.4 (22.8)
Munchstr. Ship Cal.	Dec.	1,780	(1,890)	43.7 (49.2)
Securicor	Sept.	6,930	(5,420)	13.6 (8.5)
Whittingham (W.)	Oct.	2,309	(1,282)	28.8 (18.2)
Willoughby Cons.	Sept.	248	(513)	3.4 (19.8)
Witter (Thomas)	Nov.	1,630	(1,870)	9.5 (8.7)

## INTERIM STATEMENTS

Company	Half-year	Pre-tax profit (£000)	Interim dividends* per share (p)
Ariel Inds.	Sept.	420	(329)
Dalgely	Dec.	15,700	(12,200)
Brit. Cargo Airtms.	Sept.	805L	(585)
Deborah Services	Sept.	746	(625)
Douglas (Robert)	Sept.	1,150	(1,660)
English Assoc.	Oct.	121	(151)
Gallidhail Propy.	Dec.	318	(379)
Guinness Peat	Oct.	6,220	(1,850)
Jackson (Wm.)	Oct.	1,080	(950)
Meat Trade Sups.	Sept.	201	(135)
Press Tools	Oct.	206	(170)
Ramar Textiles	Nov.	200	(98)
Reliance Knitwear	Oct.	228	(350)
Webb (Joseph)	Sept.	295	(227)

(Figures in parentheses are for corresponding period.)

Dividends shown net except where otherwise stated.

\* Adjusting for any intervening scrip issue. † 18 months to June 1979—Also first set of figures since Indianisation. L.Loss.

## Offers for sale, placings and introductions

Mid Kent Water Company: Offer for sale by tender of £5m 9p per share redeemable preference stock 1955 at a minimum price of 297 per cent.

## THE UNITED STATES AND GENERAL TRUST CORPORATION, LIMITED

The Ninetieth Annual General Meeting of the United States and General Trust Corporation Limited will be held on March 12th in London.

The following is comment by the Chairman, Mr. W. R. Merton, included in the Report of the Directors which has been circulated to Shareholders:

The year under review was notable for two events, the lifting of all dividend restrictions and the abolition of Exchange Control, both of which have had an important effect on our results.

As a result of the former, net revenue available for Ordinary Shareholders rose by nearly 46 per cent. About half of this increase represented special non-recurring dividends from Shell, BP and Unilever and as your Board considered that the benefit of these should be passed on directly to the shareholders without delay, a special interim dividend of 1.86p per share was paid in November, in addition to the ordinary interim dividend of 5p per share. With the final dividend of 5.61p per share now recommended the total for the year will have increased by just over 50 per cent from last year's total, although a smaller tax credit reduces this increase at the gross level.

The direct effect of the abolition of Exchange Control has been to eliminate the investment currency premium which at the beginning of the year accounted for just over £2 million of our assets. The strength of sterling has also had an adverse effect on the market value of our overseas holdings with the result that the Dow Jones Industrial Index in the U.S. and the New Tokyo index which actually rose by 4.2 per cent and 2.2 per cent when adjusted for these factors showed falls equivalent to 32.9 per cent and 46.6 per cent respectively. In the UK the FT All Share Index rose by 4.3 per cent. Against this background the fall in the net asset value per share of 2.4 per cent (which but for the investment currency premium would have risen by 9.1 per cent) looks quite creditable, although the inevitable result has been a reduction in the proportion of our assets invested overseas from 34 per cent to 28 per cent.

Although income in the current year cannot be expected to show anything like last year's increase and deposit interest will probably decline, your directors expect to be able at least to maintain the current dividend of 8.61p on the ordinary shares.

## GAS

## ... A NEW OPEC IS FORMING!

The oil price has soared, gold has leapt, but gas is just at the beginning of its rise. For years gas has been the poor relation of the energy world. The price has been kept artificially low, encouraging its use and discouraging the search for further supplies. But the world's suppliers are getting together to form a new OPEC in Gas!

By the mid-1980s Europe should be running low on gas supplies, as indeed the Chairman of Royal Dutch Shell indicated just last week, so the recent 30% natural gas price rise in the U.K. won't be the last. In the very latest FSL we have analysed one company, relatively small and certainly relatively unknown, which has recently discovered what could prove to be the largest gas field in the free world. The way the gas price is going, that find could have an enormous impact on their shares. At the current price the gas, or at least its oil equivalent, is probably being valued at just 5p per barrel (5,000 cu. ft. of gas is reckoned to be the energy equivalent of 1 barrel of oil, and on that basis our company could have as many as 500 million barrels!)

Don't miss out on what could prove to be one of the largest gas discoveries ever. Send for details of how to see all the above—available to FSL subscribers only—on our FREE TRIAL OFFER.

To: The Fleet Street Letter, 3 Fleet Street, London, EC4Y 1AU.

Name .....  
Address .....  
Please send me details of your FREE TRIAL OFFER FTE

## M. J. H. Nightingale &amp; Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone: 01-639 8861

1979-80	Company	Price	Change	Gross Div	Yield %	P/E
High Low						
99	72	Alpragrupp Ord.	72	-1	6.7	9.3
50	38	Amiteage and Rhodes...	36	-1	3.8	10.6
234	189	Bardon Hill	234	-	13.8	5.9
100	85	County Cars 10.7% Pl.	85	-1	15.3	18.0
101	65	Deborah Ord.	89	-	5.0	5.6
353	140	Deborah 17% CULS...	350	-	17.5	5.0
85	38	Frank Russell	36	-	7.9	8.2
129	100	Frederick Taylor	105	-	12.9	12.1
158	102	George Blair	102nd	-3	18.5	16.2
45	45	Jackson Group	59	-	5.2	8.8
153	113	James Burrough	115	-2	7.2	6.3
300	242	Robert Jenkins	250	-	31.3	12.6
22	175	Torday Limited	219	-	14.3	6.5
34	165	Twinklark Ord.	21	-	0.8	4.0
80	70	Twinklark 12% ULS...	76	-	12.0	15.8
56	23	Unilock Holdings	51	-	2.8	5.1
13	13	Water Alexander	84	-	4.4	5.2
190	136	W. S. Yates	163	-	11.5	6.3

† Accounts prepared under provisions of SSAP 15.

CORAL INDEX: Close 466-465 (-10)

## APPOINTMENTS

## Renold group finance director change

Mr. E. J. Murrin is to become group finance director of RENOLD from May 1 and will continue as secretary. Mr. E. R. Jackson, who has been group finance director on that date but will remain a director.

Mr. J. A. Clough is to become chairman of BRITISH MOHAI SPINNERS from April 28 on the retirement of Mr. T. W. Hobbart as chairman and director. From that date Mr. Clough will relinquish his appointments as chief executive and deputy chairman and hold the position of joint managing director in addition to that of chairman. Mr. C. A. Little, finance director, is to be part of Grand Metropolitan, He

deputy chairman and joint managing director. Mr. G. Little, managing director, will relinquish that responsibility to concentrate on the post of export and marketing director of the group.

Sir Donald Barron is to join the Boards of the CANADA LIFE ASSURANCE COMPANY OF GREAT BRITAIN and the CANADA LIFE UNIT TRUST MANAGERS from March 1.

Mr. George Bull has been appointed deputy managing director of INTERNATIONAL DISTILLERS AND VINERS.

Mr. C. A. Little, finance director, is to be part of Grand Metropolitan, He

continues as managing director for Europe with responsibilities for Africa and the Indian Ocean.

Mr. Robin Clark, chairman of Taylor Clark, has joined the Board of CALEDONIAN ASSOCIATED CINEMAS.

Sir Lawrence Boyle, who has retired as chief executive of Strathclyde Regional Council, has joined the Board of SCOTTISH MUTUAL ASSURANCE SOCIETY.

FROUDE ENGINEERING, a member of the Redman Heenan International group, has appointed Mr. Paul Plooyman as financial director and Mr. James Mitchell as production director.

Mr. Gervais Leblague has become managing director of CITROEN CARS (UK) replacing Mr. Patrick Brun-Wibaux, who has returned to Paris to take up a new appointment at Citroen's headquarters.

Mr. Philip Sadler, principal of Ashridge Management College, has been appointed a non-executive director of the WILLIAMS LEA GROUP.

Mr. A. Kilby has been

appointed chairman of PRIEST FURNACE and Dr. C. P. Britain become managing director. Mr. F. R. Priest has retired.

Mr. H. W. Higginson has joined the Board of the CROWN LIFE GROUP OF COMPANIES (UK). He was formerly a partner with Herbert Smith and Co.

Mr. John Auld, who has been appointed marketing director of ULTRAMAR GOLDEN EAGLE, a subsidiary of Ultramar Company.

Dr. H. Peter Jest and Mr. J. G. Merrett have been appointed directors of OIL SEPARATORS INTERNATIONAL, following its acquisition by Engineering and General Equipment.

Mr. Charles Rushton has been appointed a director of KLINGER OF MARGATE, a member of the Montfort (Knitting Mills) group.

Mr. John E. Nash has succeeded Mr. Hermann L. Budien as Board chairman of S. G. WARBURG BANK AG, Zurich.

Mr. George E. Mitchell has been elected a director, president and chief executive officer of ROYAL BRAAS CORPORATION from March 1. He was formerly senior vice president of

Certain-Tied Corporation. Redland Brass is jointly owned by Redland of England and Brass and Co. GbGHE, West Germany.

The ROSSER AND RUSSELL GROUP has made the following appointments from April 1. Mr. L. A. Wallis joins the Board of Rosser and Russell (Services) as deputy managing director. Mr. B. Giles is made a director of Rosser and Russell (London); and Mr. C. E. Gilbert and Mr. K. E. Wallace become engineering managers responsible to Mr. Giles.

Mr. Norman Birch, managing director of National Standard Company (UK), has been elected to the Board of the parent concern, NATIONAL-STANDARD COMPANY, of the U.S.

Mr. Daniel van der Plasse has been elected chairman of EUROPOOL. He is the director of International of CIG, the Belgian member. Mr. Frank van Iersel, general manager of Alpha Computer, who has been chairman of Europool since January, 1978. Europool is an association of the leading computer service bureaux from eight European countries and was formed in 1975.

Mr. Melvyn Taylor, chief accountant of Foster Menswear,

## Haynes Publishing Group Ltd

## INTERIM STATEMENT

The directors are pleased to announce the unaudited results for the 26 weeks ended 30th November, 1979.

	6 months ended 30.11.79 (Unaudited) £000	6 months ended 30.11.78 (Unaudited) £000
Sales	1,826	1,466
United Kingdom and exports	557	399
North America	2,383	1,965
Group Trading Profit	321	303
United Kingdom and exports	66	33
North America	255	270
Interest Received	14	1
Interest Charges	(4)	(11)
Group Profit Before Taxation	397	326
Taxation	(37)	(156)
United Kingdom	(32)	(12)
North America	(5)	(144)
Group Profit After Taxation	328	158
Outside Shareholders' Interest	(23)	(13)
Extraordinary Item	—	—
Profit Attributable to Shareholders	306	145
Earnings Per Share	5.87p	2.90p
Dividend Per Share	2.0p	—

During the first half of the year turnover increased by 24.6% in the UK and by 39.6% in North America to give an overall increase of 27.8% compared with the same six months of the previous year. Group pre-tax profit for the period increased by 21.8% and the profit after taxation attributable to shareholders by 111.0%.

The stock levels of finished books have been increased significantly during the first six months of the current year and provision has been made for the appropriate amount of stock relief which has reduced the tax charge compared with the corresponding period of the previous year.

In the UK the effect of price increases which were introduced on 1st November, 1979, combined with the traditional upsurge in sales during the Spring period, should result in further advancement during the second half of the year.

In the USA the research, origination and editorial facility is now firmly established and functioning satisfactorily but due to necessarily long lead times the effect of the US contribution to sales will not be felt until after the Company's year end on 31st May, 1980. Nonetheless, it is encouraging to note the useful increase in contribution to the Group's profit made by Haynes Publications Inc.

The overseas results have been consolidated at the rate of exchange ruling at the end of the six month periods.

The comparative figures for 1978 include the results of J. H. Haynes (Investments) Inc. although that company was not part of the Group and remains outside the Group, since the whole trade has subsequently been acquired by Haynes Publications Inc. (a 100% subsidiary of Haynes Publishing Group Limited).

Earnings per share have been calculated on the whole issued share capital of the Company at 30th November, 1979, which is 5 million Ordinary 20p shares. For comparative purposes the earnings per share for the period in 1978 has also been calculated on the present issued share capital rather than on the 143,200 Ordinary 10p shares which were then in issue. In view of the anticipated taxation charge the Chairman and Mrs. A. C. Haynes have agreed to waive completely the dividend on those of their shares eligible for dividend payment.

The directors have declared an interim dividend of 2p per share on Ordinary share capital expected to rank for dividend payable on 29th February, 1980, to shareholders on the register on 15th February, 1980.

## BLACKWOOD MORTON &amp; SONS (HOLDINGS) LTD.

## Interim Statement

Unaudited Group results for the six months to 31st December, 1979:

	Six months to 31st Dec. 1979	Six months to 31st Dec. 1978
Sales	10,922,493	13,003,947
Trading profit before Depreciation and Bank Interest	37,094	688,889
Less: Depreciation	235,325	215,827
Bank Interest	281,186	245,748
	516,431	481,573
(Loss)/Profit before Tax	(479,337)	227,116
Deferred Tax	(48,000)	102,000
(Loss)/Profit after Tax	(433,337)	125,116
Extraordinary Item	(112,008)	174,200
(Loss)/Profit after Tax and Extraordinary Item	(545,345)	299,316
Loss (1978 Earnings) per share	(5.4p)	1.9p

In September, it was hoped that, following the reductions in income tax, the home trade demand for our products would improve from October onwards. In fact, the benefit of reduced taxation was to a large extent offset by the increased cost of living with the result that home sales were disappointing and the strength of the £1 has continued to make exporting difficult. The combination of excess capacity in the industry, competition from imports and high interest rates caused many U.K. manufacturers to sell at uneconomic prices at a time when demand was low. We maintained our prices but sales suffered and, as a result of lower output and increased costs, a substantial loss was incurred in the six months to 31st December.

To date no action has been taken by our Government or the E.E.C. to limit imports of carpets from North America and unless such action is taken or the oil pricing policy of the U.S. Government is changed, imports will continue to be a depressing influence.

Both at home and overseas an upturn in demand seems unlikely in the present economic climate, in which event it is anticipated that a substantial loss will be incurred in the year to 30th June next. Accordingly, some re-organisation of the Group's activities is taking place. Reductions have already been made in our administrative staff and we have decided that it is essential to concentrate all pile yarn spinning and Wilton production in Kilmarnock. As a result of this decision, our spinning and Wilton weaving mills in Liversedge, Yorkshire, where we employ some 300 people, will be closed as soon as possible and discussions with the Unions concerned will take place during the statutory period of 90 days notice of redundancy. This decision has been made with considerable regret. The costs of closure in Yorkshire will be considerable and most of these will fall in the current financial year.

We have already closed our stock warehouses in London, Cardiff and Belfast. In the case of London and Cardiff, leases are being sold and in Belfast the lease expires in August 1980.

When the transfer of production to Kilmarnock has been completed, there will be considerable savings in transport and administration costs and a return to profitability thereafter can be anticipated.

## DALGETY Food and Agricultural Products

Half-year profits for existing Dalgety businesses are £13.7 million—a new record.

Spillers also contributed £2 million for 2 months.



## Swissair plans chain of luxury hotels

By John Wicks in Zurich

SWISSAIR, the Swiss national airline, is "examining the possibility" of setting up its own chain of luxury hotels. Initially, the establishment of some ten hotels is foreseen, mostly in central European cities served by the airline's routes.

It has not yet been determined whether Swissair will build its own hotels, buy up or invest in existing hotels or take over lease or management contracts. At present the company is not prepared to release financial details, though a Swissair spokesman indicated yesterday that the sums would be modest in comparison with the airline's actual operations. More details are to be announced in mid-March.

The Swiss airline already has a 17 per cent stake in the international airline-controlled Penta hotel group and owns minority shareholdings in three leading Zurich hotels and in the Vienna Hilton. It also owns half of the Swiss hotels' sales promotion company Prohotel AG.

Among other interests in the tourist industry, Swissair holds a controlling interest in the major travel agency Kuoni of Zurich and is the sole shareholder in the restaurant company, Revoca. This latter company is currently acting as a consultant in connection with the reconstruction of restaurants in the Swiss Centre in London and is negotiating to take over the management of the four restaurants concerned.

**Pierrel in profit**

Pierrel, the Italian chemical and pharmaceutical group, will post a net profit for 1979 but will not distribute any dividend for the sixth straight year, managing director, Giovanni d'Arminio Montefiore said yesterday, reports AP-DJ from Milan.

## Strong increase in BHP's profits at halfway mark

BY JAMES FORTH IN SYDNEY

AUSTRALIA'S largest company and sole steel producer Broken Hill Proprietary boosted group profit by 65 per cent from A\$59.4m to A\$147.5m in the six months ended November. Registering strong gains in all major divisions, the group expects to maintain this level of profit growth over the rest of the year.

The interim result reflects BHP's method of accounting, which partially allows for the effects of inflation. Conventional historical cost accounting leaves profits up 44 per cent from A\$160.7m to A\$235.1m.

The BHP directors criticise the Government for lack of recognition of inflation for tax purposes which they say reduces the amount allocated to meet the costs of replacing plant. The steel division has a very large investment in fixed assets and is "particularly disadvantaged" by the lack of allowance for the effects of inflation in determining taxable income.

## Atlas Copco steps up payout

BY OUR STOCKHOLM STAFF

HIGH DEMAND, especially in the second half, and improved capacity utilisation enabled Swedish compressed air and hydraulic equipment manufacturer Atlas Copco to increase pre-tax profit by 11 per cent to SKr 334m (S\$80.5m) for 1979. Dividend is SKr 6 a share, up from SKr 5.80 on increased capital.

Last spring the group said 1979 earnings would exceed SKr 301m recorded for the preceding year. Turnover was also exactly on target at SKr 5.3bn (S\$1.28bn), or 12 per cent higher than in 1978.

Orders received were up 13 per cent to SKr 5.53bn, with

The steel division more than doubled earnings for the half year to A\$19.5m.

Last year the minerals division almost trebled its earnings from A\$5.0m to A\$14.7m, while profits from the oil and gas division rose 60 per cent to A\$96.6m. Earnings from other subsidiaries and investments rose from A\$9.4m to A\$16.7m. The result was after an increase of 15.3 per cent in the fixed asset utilisation charge to A\$160.5m, which included a fixed asset value adjustment (Fava-BHP's allowance for inflation) of A\$57.58m compared with A\$71.2m a year earlier.

Earnings per share have increased from 70.9 cents to 88.1 cents before allowing for Fava, and from 38.3 cents to 53.1 cents after deducting Fava. BHP has already announced an increase in interim dividend from 15.5 cents to 17 cents a share. Despite the uncertainties overseas the outlook for the group

during the remainder of the year is generally favourable. A further modest strengthening of domestic steel sales can be expected, and with good export prospects the group is likely to maintain high levels of plant operation. Better demand and prices are also expected for mineral exports than the present state of the world steel industry might seem to indicate.

Cash flow from operations rose from A\$203m to A\$250m. The group has made early repayments of US\$55m of overdrafts and US\$10m of bank loans for the six months rose by A\$13.9m to A\$150m.

In association with BP Australia and Conzinc Rio Tinto of Australia, BHP has recently submitted a proposal in relation to the possible future development of the Rundle oil shale deposits. The development of this project is estimated to require A\$30m and A\$100m to produce 200,000 barrels of oil a day by the late 1980s.

Volvo, Saab's principal competitor, recently announced that its preliminary pre-tax profit for 1979 was SKr 1.2bn (S\$290m), up from SKr 846m, making it the first Swedish company to breach the SKr 1bn barrier, but this was not the full picture.

Volvo's adjusted earnings rose by SKr 10 to SKr 28.20 a share and profit margins climbed from 3.1 per cent to 5.1 per cent.

Scania products, dominated by large trucks, showed 1979 sales of SKr 5.98bn, up 26 per cent on 1978, while Saab passenger cars recorded a turnover of SKr 2.82bn, an increase of 17 per cent.

Saab-Scania's troubled aircraft division had lower profits on sales of SKr 940m, down 16 per cent. The heat technology company, Parca Norhammar, improved its earnings on sales 24 per cent up at SKr 317m.

Markets outside Sweden accounted for 53 per cent of group sales, against 49 per cent in 1978. Year-end order backlog was SKr 8.63bn—32 per cent higher than 12 months earlier.

After appropriations and taxes, net profit was SKr 233m, up from SKr 188m.

## Growth at Saab brings rise in dividend

By Victor Kayfetz in Stockholm

AN IMPROVEMENT in passenger car profits and continued good earnings growth on trucks has enabled Sweden's Saab-Scania to produce almost double pre-tax profits for 1979 of SKr 951m (S\$237m) before extraordinary items, against SKr 530m in 1978. Sales rose 13 per cent to SKr 13.43bn (S\$3.24bn).

The board is recommending a dividend of SKr 7 a share, against SKr 4.50 last year, after adjusting for two-for-one share issues and last-year's split. The total payout involves SKr 110m, up from SKr 63m previously.

Extraordinary items showed a net loss of SKr 9m, compared with a loss of SKr 65m in 1978. After this, group profits were more than doubled from SKr 455m to SKr 951m. Earnings per share rose to SKr 29.80 a share, up from SKr 16.30, while profit margins improved from under 5 per cent to above 7 per cent.

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## Record year for Wrigley despite poor final quarter

BY OUR FINANCIAL STAFF

EARNINGS for 1979 at Wm. Wrigley Jr., the chewing gum maker, have fallen below analysts' predictions following a setback in the final quarter which was evidently more severe than expected.

Nevertheless, net earnings for the year have risen 14 per cent to a record \$36.4m. The board says that continuing inflation will make it difficult to match this figure in the current year. Share earnings for 1979 are

\$9.26 against \$8.08, while sales, at \$505.4m, gained 1 per cent. The final quarter brought a fall of 8.7 per cent to \$7.4m in net earnings, with the share total down from \$2.08 a share to \$1.88. Sales, however, put on 11 per cent to \$129.5m.

In the first nine months of the year, sales grew by 14 per cent and earnings by 23 per cent. Volume trends for the company's major brands have been reported as weak, and little

growth is expected in 1980. The company said that it expects increased costs in all areas this year, adding that larger investments in marketing will be needed just to maintain last year's momentum.

Wrigley, the world's largest manufacturer of chewing gum, finds 60 per cent of its profits inside the U.S. and 36 per cent in Europe. It has minor activities in industrial coatings and adhesives.

## New division at Exxon

By Our New York Staff

EXXON, the largest oil company in the world announced yesterday that it was forming a new department to handle its growing commitment to synthetic fuels development.

The term synthetic fuels covers mainly the gasification and liquefaction of coal, and it is presumably no coincidence that the new department will be headed by Mr. G. P. Larkin, currently senior vice-president of Exxon Coal USA.

Exxon's other synthetic fuel interest is oil shale, where it is preparing to make a \$3.5bn investment to help develop the huge deposits in Colorado, Utah and Wyoming.

## Bank of China loan reduced

By Francis Ghilès

THE MEDIUM term loan which the Paris-based consortium bank, Union de Banques Arabes (UBA), had agreed to provide to the Bank of China will be signed in London next Friday.

The amount and maturity initially agreed between the Chinese and the lender, however, have been altered from what they were initially. The amount has been reduced from \$500m to \$300m while the maturity has been stretched out from 3½ to five years.

The spread, pegged at 1 point above the London interbank rate, remains unchanged.

The loan is being syndicated on a "club" basis among the shareholders of UBAF and a number of other Arab banks.

## Armco in insurance deal

BY DAVID LASCELLES IN NEW YORK

ARMCO, the fifth largest steel company in the U.S., is to invest in the insurance business by buying American Druggists Insurance for \$18m. American Druggists is a Cincinnati-based property and casualty insurer.

Although this is a small deal by most standards, it is further evidence of the strong attraction of insurance by other areas of the U.S. business. Oil companies, manufacturers, retail stores and financial institutions have all moved into the field in recent months, citing the lure of large assets and relatively steady earnings growth.

ARMCO's investment in insurance is expected to be completed by the end of 1980.

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## COMMODITIES/REVIEW OF THE WEEK

### Sugar price setback after new peak

BY OUR COMMODITIES STAFF

THE WORLD sugar price upsurge boiled over towards the end of the week with the May futures position on the London market falling \$10 yesterday to end the week at \$24.25 up on balance at \$23.875 a tonne. The London futures price fell \$26 yesterday to \$26.1 a tonne, up \$36 on the week.

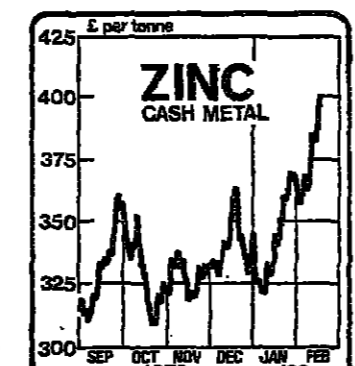
Earlier, as the continuing rise was fuelled by speculators covering against short sales, May futures had reached a five-year peak of \$31.8 a tonne and the LDP had climbed to \$287 a tonne.

News that the International

Sugar Organisation had authorised the release of 837,000 tonnes from its 2m tonnes reserve stock, despite strong producer opposition, appeared to have little impact on the market. The release was triggered by the rise of the 15-day average price above 19 cents a kilo and if current prices are maintained further releases are likely before the end of this month.

Other "soft" (non-metal) commodity prices to move higher this week were cocoa and rubber, but both subsequently fell back.

May delivery cocoa futures







# Trade figures set seal on thoroughly depressing day

## Equity index down 11.3 at 462.6—Gilts fall nearly £1½

Account Dealing Dates  
First Deal: Last Account  
Dealings: Dealings: Day  
Jan. 25 Feb. 7 Feb. 15  
Feb. 11 Feb. 21 Feb. 22 Mar. 2  
Feb. 25 Mar. 6 Mar. 7 Mar. 17  
\* "New time" dealings may take  
place from 9.30 a.m. two business days  
earlier.

A sharp worsening last month in the UK trade balance set the seal yesterday on a thoroughly depressing session in stock markets. London initially was unable to resist overnight weakness on Wall Street and most other international centres and the additional depressant of a grim UK labour scene took both main investment sections sharply lower.

Retail price figures heralding a further marked increase in the inflation rate were another cause for anxiety. The adverse influences presented worries for triggered speculative buyers and triggered a general move to reduce or terminate commitments in a wide range of stocks recently bought for bid and exploration possibilities.

With the exception of tentative

Leading equities were pulled down rather more by the heavy liquidation of speculative high-fliers than by weight of selling. The tone became more settled later and afternoon bear-covering was beginning to reduce the falls when, at 3.30 pm, the January trade deficit of £346m was announced.

This shook markets, and set in motion a fresh cascade which left leading industrialists after closing with double-figure losses. The extent of the attempted afternoon rally was measured by a 1 pm loss of 10.8 in the FT 30-share index being shaded to 8.3 before the after-hours reaction left it 11.3 down on the day at 462.6 for a net gain of just 1.2 on the week.

Government securities suffered similar uncertainty and the falls here were extending to 1½ in the late inter-office trade. Fresh upward pressure on US interest rates put an added strain on a market already depressed by yesterday's RPI and UK trade deficit.

With the exception of tentative

on the appearance of cheap buyers before falling in late dealings to close 5 cheaper on balance at 388p. Confirmation that the annual results will be announced on March 3 signalled selling of Fisons which shed 13 to 288p, still up 15 on the week. Late selling left Laporte 5 lower at 10p.

**Freemans weak again**  
Stores displayed a dull appearance and at the day's lowest, British Home Stores fell 14 to 27p after bearish Press comment. Debenhams eased 4 to 79p, as did Marks and Spencer, 8sp, and UDS, 7½p. Mail-order issues continued to react to Freeman's lower profits forecast. GUS A shed 14 to 384p, while Empire gave up 6 to 164p and Freeman's shed 10 for a two-day fall of 98 to 122p. Elsewhere, Status Discount declined 8 to 60p following adverse Press comment, while Harris Queensway met profit-taking and closed 7 off at 180p, up 12 on the week. Foster Bros encountered renewed speculative buying up 4 to 143p and Phoenix 5 to 24p. Among Life Issues, Legal and General were notable for a loss of 7 at 17½p, while Prudential shed 8 to 179p.

Breweries reflected the general market downturn and closed with falls to a 10p level. As at 17p, lost most of Thursday's gain of 5. Home Brewery provided an isolated firm spot and closed 12 up at 268p in a thin market. Among the leaders, Whitbread fell 4 to 130p, while Scottish and Newcastle shed a couple of pence to 58½p.

Selling among Buildings gathered pace in the late dealings with Blue Circle, rising market of late on increases in the price of cement, closing 14 lower at 300p. Armitage Shanks, the subject of a bid from the latter, shed 5½ to 102p in sympathy. Ceramic Investments, which does not intend to accept the Blue Circle offer, increased its stake in Armitage to nearly 28 per cent on Thursday. Elsewhere, Helical Bar responded to the doubled half-yearly profits with a gain of 2 to 30p, while Blockleys added 6 to 84p in a thin market for a gain on the week of 16. Still reflecting the satisfactory interim statement, Rehan added 8 more to 88p, but Ward Holdings, good recently ahead of the annual results, eased to 85p.

Dull at first on scrappy selling and lack of support, ICI picked

FINANCIAL TIMES STOCK INDICES									
	Feb. 15	Feb. 14	Feb. 13	Feb. 12	Feb. 11	Feb. 8	Feb. 7	Year ago	
Government Secs.	65.08	65.07	65.06	65.10	65.09	65.08	65.07	65.10	
Fixed Interest	67.07	67.04	67.00	67.00	67.00	67.00	67.00	67.00	
Industrial	462.6	475.8	476.0	466.5	466.0	461.4	461.4	461.4	
Gold Mines	849.7	858.5	858.5	858.5	857.5	858.0	858.0	858.0	
Ord. Div. Yield	7.18	7.02	6.98	7.08	7.08	7.08	7.08	7.08	
Earnings, Yld. 2 (Full)	17.66	17.38	17.08	17.84	17.81	17.41	17.41	17.41	
P/E Ratio (net) (%)	6.94	7.11	7.18	7.07	7.08	7.08	7.08	7.08	
Total bargains	24,628	27,608	26,561	27,674	28,019	26,978	26,978	26,978	
Equity turnover £m	195.07	184.04	185.36	117.47	183.03	183.03	183.03	183.03	
Equity bargains total	22,668	19,198	21,968	15,251	21,118	11,835	11,835	11,835	

10 am 467.1, 17 am 461.1, Noon 463.8, 1 pm 463.1, 2 pm 463.8, 3 pm 465.6.  
Latest index 01-246 0025.  
\*HSE=0.67.

Base: 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ind. 1/7/26. Gold Mines 12/9/26. SE Activity, July-Dec. 1942.

HIGHS AND LOWS S.E. ACTIVITY									
	1979/80	Since Compil't	High	Low	High	Low	High	Low	
Govt. Secs.	78.91	63.30	127.4	49.18	127.4	49.18	127.4	49.18	
Fixed Int.	77.76	64.06	150.4	50.65	150.4	50.65	150.4	50.65	
Ind. Ord.	558.5	406.8	568.6	49.4	568.6	49.4	568.6	49.4	
Gold Mines	849.7	858.5	858.5	857.5	858.0	858.0	858.0	858.0	

all benefitted from the reinvestment of profits made in Gold Fields. Rio Tinto-Zinc, 8 cheaper yesterday at 460p, ended the week 37 higher, while Charter, 3 cheaper at 180p, showed a rise of 39 over the five-day period. Although 15 easier yesterday at 700p, Selection Trust still showed an improvement of 65 on the week.

Australian sustained heavy losses following the downturn in overnight Sydney and Melbourne markets.

A notable exception was Samantha Exploration which rose 11 to a peak 180p, compared with 112p last Friday, following renewed heavy speculative buying. Samantha is currently exploring for gold in Queensland as well as for diamonds adjacent to the Ashton venture's Ellen-dale and Argyle areas.

The Ashton diamond venture partners moved up strongly in the early part of the week in anticipation of further news from the prospect in the annual results of Comstar Diamonds, the leading member of the consortium.

However, the absence of fresh news prompted steady profit-taking in Ashton Mining and Northern Mining.

Profit-taking lowered Central Pacific Minerals a point to 52p and Southern Pacific 50 to 92p but both were well ahead over the week following the deal with CRA-BHP-IP to study the possible development of the Rumble offshore prospect.

South African Golds traded quietly throughout the week with the market overshadowed by the Gold Fields-De Beers activity. Yesterday share prices tended to drift with the Gold Mines index 8½ lower at 349.7, up 4.7 over the five-day period.

LONDON TRADED OPTIONS								
	April			July			Oct.	
Option	Ex'cise price	Closing offer	Vol.	Closing offer	Vol.	Closing offer	Vol.	Equity close
BP	360	—	6	68	4	78	—	399p
BP	375	40	—	—	—	—	—	—
BP	400	84	36	—	—	—	—	—
BP	420	24	—	40	26	46	—	—
BP	440	12	21	38	2	—	—	—
BP	460	64	39	—	—	—	—	146p
Com. Union	460	38	1	92	—	110	—	612p
Cons. Gold	500	36	105	64	1	84	—	—
Cons. Gold	550	19	6	42	80	58	—	—
Courtaulds	70	20	12	12	12	12	—	76p
Courtaulds	80	4 1/2	—	7	—	9	2	—
OEC	390	22 1/2	1	40	20	55	—	378p
Grand Met.	390	11 1/2	4	10 1/2	—	12 1/2	—	155p
Grand Met.	140	7	2	15	4	16	—	—
Grand Met.	160	1 1/2	2	6	—	—	—	307p
ICI	360	37	2	57	—	65	—	—
ICI	390	31	65	28	—	47	—	—
ICI	420	12	10	26	—	36	—	—
Land Secs.	890	31	—	39	2	53	1	295p
Land Secs.	900	17	—	28	1	59	—	—
Marika & Sp.	80	14	—	18	2	22	—	90p
Marika & Sp.	90	8	—	12 1/2	1	14 1/2	—	—
Marika & Sp.	100	4	5	8	20	10	—	—
Marika & Sp.	110	2 1/2	—	—	—	—	—	—
Shell	50	5	—	66	1	76	—	372p
Shell	380	17	99	28	120	40	23	—
Totals								
				February	May	August		
Imperial Op.	70	13 1/2	—	14	6	16	8	85p
Imperial Op.	80	3 1/2	74	6	64	10	—	—
Imperial Op.	90	14	—	10	—	—	—	—
Racal Elec.	800	11	18	28	—	25	—	806p
Racal Elec.	320	1 1/2	—	18	—	26	4	—
Racal Elec.	340	—	—	19	25	19	2	—
RTZ	560	105	—	113	1	125	—	460p
RTZ	390	75	—	90	11	115	—	—
RTZ	420	46	58	70	86	96	—	—
RTZ	450	—	—	50	23	70	2	—
RTZ	500	—	—	27	—	50	—	—
Totals			150		230		16	

## FT UNIT TRUST INFORMATION SERVICE

AUTHORISED  
UNIT  
TRUSTS

Abhey Unit Trst. Mngts. (a)

27-29, Galloway Rd., Aylesbury

Abhey Capital

Abhey Unit Trst. Mngts. (a)

Abhey Income

Abhey Property

Abhey Growth

Abhey Dividend

Abhey Bond

Abhey Equity

Abhey International

Abhey Overseas

Abhey Global

Abhey Multi-Asset

Abhey Alternative

Abhey Hedge

Abhey Commodity

Abhey Energy

Abhey Precious Metals

Abhey Real Estate

Abhey Infrastructure

Abhey Technology

Abhey Healthcare

Abhey Education

Abhey Entertainment

Abhey Media

Abhey Telecommunications

Abhey Aerospace

Abhey Defense

Abhey Space

Abhey Nuclear

Abhey Biotechnology

Abhey Environmental

Abhey Agriculture

Abhey Forestry

Abhey Fishing

Abhey Mining

Abhey Oil &amp; Gas

Abhey Coal

Abhey Power

Abhey Water

Abhey Waste Management

Abhey Recycling

Abhey Transportation

Abhey Logistics

Abhey Distribution

Abhey Retail

Abhey Wholesale

Abhey Manufacturing

Abhey Services

Abhey Consulting

Abhey Engineering

Abhey Architecture

Abhey Design

Abhey Advertising

Abhey Marketing

Abhey Sales

Abhey Customer Service

Abhey Human Resources

Abhey Finance

Abhey Accounting

Abhey Tax

Abhey Insurance

Abhey Legal

Abhey Compliance

Abhey Regulatory

Abhey Government Relations

Abhey Public Affairs

Abhey Corporate Governance

Abhey Sustainability

Abhey Social Responsibility

Abhey Environmental Management

Abhey Health &amp; Safety

Abhey Quality Management

Abhey Continuous Improvement

Abhey Innovation

Abhey Research &amp; Development

Abhey Intellectual Property

Abhey Patent Law

Abhey Trademark Law

Abhey Copyright Law

Abhey Trade Secret Law

Abhey Data Protection Law

Abhey Information Security

Abhey Cybersecurity

Abhey IT Management

Abhey Software Development

Abhey Hardware Development

Abhey Network Development

## Discretionary Unit Fund Managers

22, Blenheim St., EC2M 4AB

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Discretionary Unit Fund Managers

## Manulife Management Ltd.

31, George's Way, Sevenoaks

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## Stewart Unit Trst. Managers Ltd(a)

45, Charlotte St., Edinburgh

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Grand Met.	12	Tesco	7	Milnes	
G.U.S. 'A'	30	Thorn	5		
Guardian	23	Trust Houses	17	Charter Cons.	13
G.K.N.	22	Tube Invest.	24	Cons. Gold	52
Harwer Froid	16	Unilever	40	Lorha	15
House of Steel	12	U.D.T.	4	Rio T. Zinc	95

A selection of Options traded is given on the London Stock Exchange Report page

## MAN OF THE WEEK

### Bidder from the East

BY ANTONY ROWLEY

TUNG HAO-YUNG, or "C. Y. Tung" as westerners call him, is a low-profile figure among the ranks of international shipping magnates. Wealthy Chinese entrepreneurs rarely like to publicise their activities anyway but Tung seems more than usually reticent on this score. Though he has never courted personal publicity C. Y. Tung is, however, a man who believes in high visibility so far as his fleet of well over one hundred ships is concerned. For instance, he registers a large part of his fleet in Hong Kong, unlike other owners who make heavier use of registries in such places as Liberia and Panama. That may deny him the anonymity some shipping magnates seek but it helps him attract cargo.



C. Y. Tung  
Has a way of maximising the profits from his fleet

Most people who know Tung regard him as a very astute shipowner who knows his business well. A comparison is sometimes drawn between C.Y. and his arch rival in Hong Kong, Sir Y. K. Pao, head of the World-wide Shipping Group. Pao is reputed for his talents in putting together complex financial deals, such as the so-called "Shikumen" variety which took him into extensive partnerships with Japanese banks and shipyards in recent years. Though maybe not the financier that Y. K. Pao is, Tung has a way of maximising the profits from his fleet to a degree which probably causes envy among some of his rivals.

Unlike those owners who have gone for greater tonnages than he has, C.Y. believes that the value of a ship is not just in chartering it out. He may be considerably smaller in tanker-ownership terms than rivals, but it is said of Tung that he is "making more dollars per ton than they are".

Even so, the Tung group is big by any standards. The liner arm of the group—Orient Overseas Container (Holdings) which is the vehicle being used for the proposed takeover of Furness, Withy—ranks fourth worldwide in lifting capacity behind Sea-Land of the U.S., Hapag-Lloyd in West Germany, and Ocean Container Line in Britain.

OOCH, which showed a total deadweight tonnage of some 413,000 tons in its last annual report, is estimated to account for only 4 per cent or so of Tung's total fleet, which is estimated to weigh in at around 10m dwt in all. For comparison, Y. K. Pao's quoted arm, Eastern Asia Navigation, boasts a fleet of around 5m dwt, but again this is only the tip of the iceberg so far as the world-wide group in total is concerned.

Broadly speaking, the difference between the two Hong Kong-based shipping magnates comes down to Pao's popular image as a tanker king while Tung is known as the man who pioneered Asia's entry into the revolutionary era of containerisation. And it is in containerisation that the Tung group continues to sink most of its confidence—and its investment.

## Britain gets go-ahead for U.S. fibre curbs

BY GILES MERRITT IN BRUSSELS

BRITAIN WAS last night understood to have won the European Commission's permission to impose the special curbs that will protect the UK market against two major categories of cheap U.S. man-made fibres.

Commission officials have also confirmed that, in a parallel move, the Italian Government has applied for similar measures against U.S. polyester yarns, staple and fibres.

The decision on the British application for quotas to stem sales of certain U.S. synthetic fibres follows several days of tough negotiation in Brussels.

Mr. John Nott, Trade Secretary, is expected to tell the Commons on Monday that safeguards under Article 19 of the

General Agreement on Tariffs and Trade will come into immediate effect to limit sales of U.S. polyester filament yarn and nylon carpet yarn.

It is understood that the commission rejected the application for quotas on a third category—tufted and nylon carpets—on the grounds that U.S. producers still hold only a small share of the market.

British efforts to persuade the commission that nylon carpet yarn should be covered was for a while also in some doubt. Italy's decision to demand comparable protection introduced a last-minute complication to the negotiations.

There are fears in Brussels

that Italy's demands will trigger a fresh campaign by man-made fibre producers in France and West Germany for their Governments to follow suit.

The European industry's resentment against U.S. fibres produced from subsidised petrochemical feedstock has been increased by forecasts that instead of breaking even this year, the industry as a whole will suffer a \$500m loss because of U.S. competition.

Next week Mr. Reuben Askew, the U.S. Special Trade Representative, will visit Brussels to discuss U.S.-EEC trade problems, such as synthetic fibres and steel, that threaten to provoke a protectionist trade war.

## BMK axes carpet plant

BY RHYS DAVID, TEXTILES CORRESPONDENT

BMK, the carpet group, will close its spinning and weaving plants at Liversage, West Yorkshire, with the loss of 300 jobs. The company blames generally weak demand in the UK market, which has been under pressure from cheap imports of U.S. tufted carpet.

In its latest results, published yesterday, BMK reported a loss of more than £500,000 for the second half of last year, on a reduced turnover.

Following the closure, which will take effect in three months,

production will be concentrated at the group's headquarters in Kilmarock, where about 1,800 are employed.

Mr. Alex Leggate, managing director, said yesterday the closure would enable surplus capacity at Kilmarock to be used and would help to reduce overheads. The company's Scottish mills, which produce both woven and tufted carpets are working short-time.

Though 70 per cent of BMK's output is the more expensive Wilton and Axminster woven

carpet, some loss of business has still been suffered.

Homfray, another large carpet producer, has recently announced a halving of its labour force to 800, and Associated Weavers is to pull out of tufted carpet production completely, with the loss of more than 1,000 jobs.

Employment in the industry has fallen from 35,600 four years ago to about 28,000—and about 5,000 of them are on short time.

BMK loss, Page 16

## BL unions stall on pay threat

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

UNION LEADERS at BL Cars last night drew back from confrontation with the company over the pay offer already rejected in a ballot of the workforce.

The company, in six hours of talks with negotiators, refused to increase its offer of 5 per cent for most workers and 10 per cent for craftsmen.

Mr. Geoff Armstrong, employee relations director, insisted that fundamental changes in working practices would also be necessary for the company to remain competitive.

The unions, rather than initiate industrial action, for which they already have authority from the senior shop stewards, have given the com-

pany two weeks to improve its offer.

Deadline in the negotiations will increase the likelihood of a successful strike at Longbridge, Birmingham, in protest at the dismissal of Mr. Derek Robinson, the convenor.

Workers reluctant to take militant action on a point of principle might be persuaded to walk out to show their determination to force an improved pay offer.

The West Birmingham district committee of the Amalgamated Union of Engineering Workers is likely to instruct its 8,000 members at Longbridge to withdraw their labour in support of Mr. Robinson.

The fairly moderate line

taken by union negotiators in the national pay talks underlines the weakness of their bargaining position.

Although the unions won the ballot by three to two, the result showed a clear division within the workforce. More seriously, industrial action hardly seems appropriate when the company is laying off thousands of workers and halting production of several models because of poor sales.

BL appears determined not to improve its offer. The negotiators will, when their two-week deadline runs out, have to decide whether to recall the senior shop stewards and determine what, if any, action is appropriate.

Plan for new Rover, Page 3

## Oil consumption down by 5%

BY SUE CAMERON, CHEMICALS CORRESPONDENT

THE UK is consuming 5 per cent less oil this year than in 1979 partly due to the steel strike, say Shell and Esso.

Other causes of the reduction are the mild winter, increased oil prices, conservation, and the use of more coal in electricity generation.

The two companies said yesterday that 1 per cent of the drop in demand resulted from the steel strike.

Esso said demand for oil products was likely to fall a further 1 per cent if the strike lasted another three weeks and

companies dependent on steel supplies cut production.

A big factor in the overall reduction of oil consumption, however, is the fall in sales to the Central Electricity Generating Board. The board is believed to be buying 25 per cent less oil than last year.

Oil price rises in the past year have also made coal increasingly competitive.

The 1 per cent drop in consumption of oil products due to the steel strike was chiefly caused by closure of British Steel's plants, said Esso.

Esso said the bulk of reduced consumption was due to the mild winter, the increased price of oil, and moves towards energy conservation.

Petrol demand this year was showing a modest growth. There had been a "significant" increase in the consumption of aviation fuel. But demand for other oil products was down.

Shell said it had expected reduced demand for oil products this year and had planned for it.

In 1979 Britain consumed about 95m tonnes of oil

## Water workers defer strike

By Gareth Griffiths

THE GENERAL and Municipal Workers' Union yesterday decided to defer a national strike in the water industry pending the outcome of new pay talks next week.

Mr. David Bassett, general secretary, said that consideration of strike action by the union's executive council would be postponed. The GNMW represents more than 20,000 workers in the water supply and sewage industry. Shop stewards in the industry have rejected a 19.2 per cent pay offer and set a February 25 deadline for a national strike.

The National Water Council yesterday formally offered new talks to the four main unions, the GNMW, Transport and General Workers' Union, the National Union of Public Employees and the National Union of Agricultural and Allied Workers. Officials expect these to take place next Thursday. A meeting of the industry's national joint council has already been scheduled and will provide a forum for discussion.

The chairman and secretaries of both sides will have pay discussions earlier in the week.

Mr. Ron Keating, NUPE deputy general secretary, said: "It can only be assumed that the employers are prepared to improve an offer. If the offer is not improved, then we would be no point in resuming negotiations." He thought it possible that the Government had given authority for an improvement to the offer.

"I cannot see how an employer in a nationalised industry can be prepared to move without Government influence, particularly in an industry like water in which a strike would have grave consequences for the country. So I think the hand of Government is very much involved."

Pay talks between the National Water Council and craft unions were adjourned yesterday for two weeks. A pay offer was put to the union side but both sides refused to disclose the size.

## Weather

UK TODAY  
SUNNY intervals, rain in places later, mild.  
London, Midlands, N. and N.W.

Mainly dry, foggy, some rain later. Max. 9-10C. (48-50F).

S.E. and Cent. S. England

Early fog, bright intervals, some rain later. Max. 10-11C. (50-52F).

E. Anglia, E. England

Fog patches, mainly dry, sunny periods. Max. 9-10C. (48-50F).

Channel Isles, S.W. England, S. Wales, N. Ireland

Rain, drier later. Max. 10-11C. (50-52F).

N. Wales, Lakes, I. of Man, S.W. and N.W. Scotland, Glasgow, Argyll

Bright intervals, rain later. Max. 9-10C. (48-50F).

N.E. England, west of Scotland

Early fog, sunny periods. Max. 8-10C. (46-50F).

Orkney, Shetland

Sunny periods. Max. 8C. (46F).

Outlook: Mild, mainly dry.

48-day forecast: Dry in south; above-average temperatures generally, with a few cold days; above-average rain in N.W.

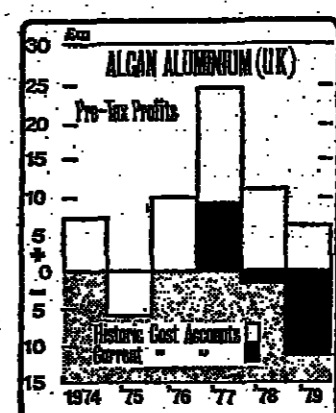
WORLDWIDE

WORLD WIDE			
	Y'day		Y'day
	midday		midday
Algeria	13 65	Locarno	7 45
Algiers	18 61	London	11 52
Amman	18 61	Luxembourg	11 52
Athens	18 61	Madrid	11 52
Bahia	18 61	Madrid	11 52
Barcelona	18 61	Madrid	11 52
Belfast	18 61	Madrid	11 52
Bombay	18 61	Madrid	11 52
Bordeaux	18 61	Madrid	11 52
Boston	18 61	Madrid	11 52
Buenos Aires	18 61	Madrid	11 52
Calcutta	18 61	Madrid	11 52
Cardiff	18 61	Madrid	11 52
Casablanca	18 61	Madrid	11 52
Chennai	18 61	Madrid	11 52
Colombo	18 61	Madrid	11 52
Copenhagen	18 61	Madrid	11 52
Dublin	18 61	Madrid	11 52
Dhaka	18 61	Madrid	11 52
Frankfurt	18 61	Madrid	11 52
Geneva	18 61	Madrid	11 52
Glasgow	18 61	Madrid	11 52
Helsinki	18 61	Madrid	11 52
Hong Kong	18 61	Madrid	11 52
Innsbruck	18 61	Madrid	11 52
Istanbul	18 61	Madrid	11 52
Jaipur	18 61	Madrid	11 52
Jakarta	18 61	Madrid	11 52
London	18 61	Madrid	11 52
Lisbon	18 61	Madrid	11 52
Los Angeles	18 61	Madrid	11 52
Lyons	18 61	Madrid	11 52
Manila	18 61	Madrid	11 52
Mexico City	18 61	Madrid	11 52
Moscow	18 61	Madrid	11 52
Mumbai	18 61	Madrid	11 52
Nairobi	18 61	Madrid	11 52
Paris	18 61	Madrid	11 52
Peking	18 61	Madrid	11 52
Rangoon	18 61	Madrid	11 52
Rio de Janeiro	18 61	Madrid	11 52
Rome	18 61	Madrid	11 52
Sao Paulo	18 61	Madrid	11 52
Seoul	18 61	Madrid	11 52
Shanghai	18 61	Madrid	11 52
Singapore	18 61	Madrid	11 52
Sofia	18 61	Madrid	11 52
Taipei	18 61	Madrid	11 52
Tokyo	18 61	Madrid	11 52
Toronto	18 61	Madrid	11 52
Ulaanbaatar	18 61	Madrid	11 52
Warsaw	18 61	Madrid	11 52
Wellington	18 61	Madrid	11 52
Yokohama	18 61	Madrid	11 52

## THE LEX COLUMN

### Bewilderment in Birmingham

Index fell 11.3 to 462.6



It is almost like the good old days. Bids and deals worth roughly £400m. have been announced this week, and they have usually been backed by cash rather than the funny money that was shovelled out during the takeover boom of the early 1970s. That takes the total of acquisitions announced in the UK so far this year up to something like £800m, and although not all of these will be successful, it is clear that the overall level of takeover activity is rising sharply. Total acquisition spending in the fourth quarter of 1979 amounted to £72m, which was the highest level for seven years.

The bids have a number of common themes. One of the most obvious is the number of foreign investors who are after UK companies either for strategic reasons, or because their shares are selling at a big discount to net asset value, or both. The approach for C. T. Boving comes into the first category, and the bids for Furness Withy and S. Hoffmann into the second. Both apply in the offer of Highland Distilleries (which has been stamped by the Monopolies Commission), the partial investments in Serck and Consolidated Gold Fields and—probably—the proposed sale of the Godfrey Davis car rental business.

In the UK, a number of deals have involved companies anxious to strengthen particular parts of their trading portfolio—the Allied/Vaux deal and Booker McConnell/BAT. In both cases, the vendor got rid of unprofitable assets at around book value. L.C. Gas is diversifying into the engineering sector via a bid for CompAir—again at around book value.

Racal's offer for Decca is rather a special case, in that its timing was determined by the controlling shareholders in Decca and the final terms are far in excess of net asset value. But the bid has this in common with all the other deals—it represents a far cheaper way of achieving Racal's management aims than could ever have been possible by greenfield investment. The bid's case is that with shares continuing to sell at a big discount to asset values at a time when some companies still have a lot of cash, there are plenty more bids to come.

In its excitement at redressing asset values, the equity market is tending to ignore the trend of corporate earnings, which in most sectors is going to be pretty grim in 1980. From

Birmingham, the buying on Throgmorton Street must look incomprehensible. Dividend growth in 1980 is likely to be at its lowest for 10 years; the dividend cuts announced this week by Birmid Quicast and Alcan (UK) may just be a forerunner.

Many other engineering companies must be waiting for an unexpected cut by a major in the sector to provide them with an excuse to follow suit. It seems at present as though the profits lost by the engineering industry through strikes in 1979 are not going to be anywhere near made up this year, as demand falls, profit margins suffer. And the steel strike has yet to have its full effect.

Wedgewood

Wedgewood's third quarter results confirm that the

massacre in the first quarter when pre-tax profits fell by two-thirds—was an aberration. The strong pound and high interest rates, together with the post London tourist season, continue to dampen volume and squeeze margins, but the third quarter decline at the pre-tax level has been held to 21 per cent, bringing the fall over the first nine months back to less than a third.

The shares moved up 1p from their 1979-80 low to 65p for a prospective fully-taxed p/e of 8 and a yield of about 9 per cent on unchanged dividend. The market capitalisation is now standing at just over 50 per cent of the value of the shares—a good example of the sort of discount that has been attracting predator bids in the stock exchange in recent weeks.

Alcan (UK)

All else being equal nothing could be more reasonable than that a company which has seen its profits fall from £25m pre-tax to £8m in two years, which has run a current cost loss of £11m pre-tax, which has debt creeping up towards 50 per cent of capital employed and an interest charge absorbing two-thirds of operating profits, should think of cutting its dividend.

But all is not equal at Alcan (UK). Its Canadian parent has established a minority public shareholding of nearly 20 per cent in its British subsidiary. The only reasons for having such a minority concern politics, public relations, and the ability to raise capital in the UK market. Cutting the dividend sabotages all three.

The cost of paying 9.9p rather than 6.6p to the minority share-

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